EUROPE'S BUSINESS NEWSPAPER
FINANCIAL TIMES
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Tuesday February 27 1990
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NATO ALLIANCE
Dilemma of a united Germany
Page 25

World News

Soviets consider presidential system

The Soviet Parliament is urgently considering plans for a full-scale presidential system, with direct and contested elections by secret ballot.
Supporters of Mr Mikhail Gorbachev, the Soviet leader, are pushing for an emergency session of the country's Congress of People's Deputies – the supreme constitutional authority – to approve the plan, revealed yesterday in a draft law, as a matter of urgency. Page 26

Gibraltar accord
Britain is to draw Gibraltar into two bilateral agreements it has with Spain in an effort to clamp down on drug smuggling and money laundering from the colony. Page 26

Poland joins Eutelsat
Poland will this week join Eutelsat, pan-European satellite operator, in the latest sign of European readiness to boost the transfer of technology to the east bloc. Page 2

UK dumping plan
UK Government is trying to weaken significantly an agreement on North Sea waste dumping which ministers of nine European countries are due to conclude next week. Page 26

Havel in Moscow
First trainloads of Soviet soldiers began leaving Czechoslovakia as President Vaclav Havel arrived in Moscow to finalise arrangements for withdrawal of all 73,500 troops by July 1 next year. Page 3

Storms kill 16
At least 16 people died as 80 mph gales buffeted Northern Europe, disrupting rail and ferry services. Page 10

Korean N-station
North Korea admitted yesterday it was building a nuclear power station but denied reports it was trying to develop nuclear weapons.

UN role in Cambodia
Australia's peace plan for Cambodia calls for an "enhanced role for the United Nations" and outlines a "minimum timetable" for elections in April, 1991. Page 4

Unification discord
Mr Hans-Dietrich Genscher, West German Foreign Minister, contradicted British Prime Minister Mrs Margaret Thatcher's claim that East Germany could not automatically step into the EC as part of a united Germany. Page 3

Indians vote today
More than 200m people, over a third of Indian voters, vote today in state assembly elections expected to confirm the rise of the radical Hindu BJP party as a force in Indian politics. Page 4

Carlsson returns
Sweden's parliament reappointed Social Democratic leader Ingvar Carlsson as Prime Minister only 11 days after his minority government resigned. Page 2

Finns to buy jets
Politically neutral Finland is to ask for bids from four fighter aircraft-makers from France, the US, Sweden and the Soviet Union to renew its ageing fleet of 60 Mig-21 and Swedish J-35 Draken interceptors. Page 8

Burmese poll rules
Burma's military government laid down stringent rules for the country's first elections in 29 years, including regulations requiring parties to obtain permission for political meetings.

SA hunger strike
Over 300 prisoners at Robben Island jail off Cape Town, where Nelson Mandela spent most of his prison term, went on hunger strike.

Business Summary

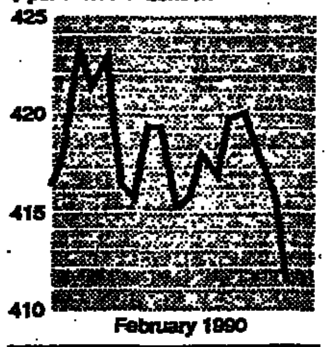
Perrier sets scene for million-dollar relaunch

PERRIER, the French bubbly mineral water, is to be relaunched with a worldwide multi-million dollar advertising campaign in a bid to wash away memories of the discovery of benzene traces in some of its production. Page 26

TRADE: Tensions between EC and US over telecommunications trade deepened with Brussels accusing Washington of using its domestic legislation as a bargaining counter in the present Uruguay Round of Gatt talks. Page 26

GOLD bullion price drifted down steadily in London to close at $411.25 a troy ounce, $4.75 below Friday's closing level. Heavy selling by producers, who seem to believe that gold will not go much higher in the medium term, was triggered when the price reached the $420-$425 range. Page 36

Gold price
$ per ounce in London



SAAB-SCANIA, the Swedish automotive and aerospace group, halved its pre-tax profits to SKr1.6bn ($262m) last year from SKr3.2bn. This was mainly due to a loss of SKr2.1bn in the company's car division compared with the SKr11m pre-tax profit in 1988. Page 27

GATT multilateral talks on liberalising global trade could soon be jeopardised if the developed countries fail to negotiate seriously on crucial Third World interests, the developing countries warned yesterday. Page 8

RWE, West Germany's biggest energy concern, is set to take its stake in Hochtief, the country's second largest building group, to over 50 per cent. Until now, RWE, which like Hochtief is based in Essen, has held just over 40 per cent of the building group. Page 28

WANG Laboratories, the struggling minicomputer manufacturer, is to sell its lease-financing operations, including Wang International Financial for about $250m to GE Capital, a leading worldwide financial organisation. Page 29

MEXICO'S revenues from petroleum exports in 1989 amounted to $7.28bn, an increase of 24.3 per cent over 1988, as a result of the market's recovery. This was despite a decline in the volume sold. Page 36

FINLAND is on the verge of asking for bids from four fighter aircraft-makers in France, the US, Sweden and later, the Soviet Union, to renew its ageing fleet of 60 MiG-21 bis and Swedish J-35 Draken interceptors by 1995, at an estimated cost of FM10bn ($2.5bn). Page 8

SCINDIA Steam Navigation Company, India's oldest private sector shipping company, which three years ago was on the verge of bankruptcy, has set sail again with the aid of a government relief package and helped by a revival in the international freight market. Page 29

SASOL, the South African oil-from-coal company, has seen its synthetic fuels production hit in the half year to December 23 1989, in the aftermath of a fire. Further production shortfalls are expected this financial year. Page 29

PLUNGE BLAMED ON COMPUTER-DRIVEN DEALING ● GOVERNMENT BOND MARKET TURMOIL ● MINISTRY HOLDS TALKS

Tokyo curbs arbitrage trading

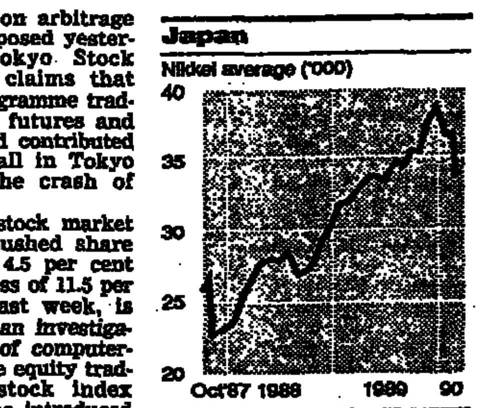
By Michiyo Nakamoto and Stefan Wagstyl in Tokyo

RESTRICTIONS on arbitrage trading were imposed yesterday by the Tokyo Stock Exchange after claims that computerised programme trading between the futures and cash markets had contributed to the biggest fall in Tokyo equities since the crash of October 1987.

The Japanese stock market plunge, which pushed share values down by 4.5 per cent yesterday for a loss of 11.5 per cent over the past week, is likely to lead to an investigation of the role of computer-driven programme equity trading linked to stock index futures which was introduced to Japan in 1988.

As investors sold equities in response to a sharp drop in the Japanese yen and turmoil in the Tokyo government bond market, there were reports that the Ministry of Finance had summoned large institutional investors and leading brokers to discuss ways to support the market. However, there was no sign of any buying resulting from such discussions.

Japan
Nikkei average ('000)



Early bouts of computer-driven selling pushed the Nikkei index, the key market indicator, down by more than 2,400 points, or 6.9 per cent at the start of the week's trading, before a recovery later left it closing down 1,569.1 at 33,321.87.

The recent sharp decline in the market has shattered the confidence which had set Tokyo apart from New York and London in the past two years. Mr Paul Muller at Schroders Securities in Tokyo, said: "The market is a cauldron of fears and problems."

However, once again the steep falls in Tokyo failed to spill over to equity markets in London and New York. Although London's FT-SE Share 100 index opened 28.2 lower in very nervous trading, equities rose steadily during yesterday's session and the index closed at 2,249.3, up 12.6. London's performance was buoyed by New York where by early afternoon the Dow Jones Industrial Average was quoted above 2,580.

Both the Bank of Japan and the Federal Reserve Bank of New York tried to prop up the yen during yesterday by selling dollars. The Japanese central bank bought yen worth $2bn in the market, but in Tokyo the Japanese currency closed Y2.18 lower against the dollar at Y148.65.

The Japanese Ministry of Finance was more successful in supporting government bond prices by buying an estimated Y100bn, for the third time in a week. This brought the yield on the benchmark 119th issue bond down from its high of the day of 7.01 per cent to 6.86 per cent at the close, against 6.895 per cent on Friday.

The central bank and the ministry are still at loggerheads over the bank's desire to raise the official discount rate.

Markets crisis in Tokyo, Page 4; Lex, Page 26; Market reports, Second Section

Sure-fire winner takes a nosedive

By Robert Thomson
in Tokyo

IN the land of the door-to-door stock salesman and of investment advice that has the ring of the racing tip, the sure thing that was the Tokyo Stock Exchange has suddenly become a loser or, at best, a 50-50 chance.

Each day, small investors crowd into Tokyo's 3,000 stock shops, firm in the belief that even a bad investment will make money and that a good investment will make more money.

Yesterday, as the market nosedived, it was a return to the belief that money shouldn't come easy, for older Japanese, who have known a humiliating poverty.

Three times a day, five days a week, Mr Toshimitsu Fukaya, 79, sits passively in a stockbroker's office tracing the fate of his more-than-modest share holdings on an electronic scoreboard that was yesterday flashing unwelcome signals.

Like most Japanese punters, Mr Fukaya, a semi-retired consultant for a cement company, has presumed that the Tokyo market goes only one way: up. Yet he saw a certain justice in the sharp falls of the past week and the plunge yesterday.

"The boom of the past five years has become a big bubble. It has not come from the strength of Japanese industry. It has come from a lot of speculation. The level of about five years ago was the real level," said Mr Fukaya, who has about Y20m ($137,000) invested in stocks.

After the Second World War, when US occupation forces dismantled the "zaibatsu," the huge industrial combines, individuals held 69 per cent of stock. But as corporate cross-holdings have again buffered the ownership of the great conglomerates, the small investor has been crowded out.

Individuals now hold about 22.4 per cent of shares by volume on Japanese exchanges, with financial institutions and general companies taking 73 per cent and foreigners 4.6 per cent. Some small investors blame the exchange's new-found volatility on the declining influence of the individual.

A 60-year-old man – "call me Mr Yamada" – watching the boards at another broker's office, said Japanese companies had been "making too

Continued on Page 26

Bush may lead world drive to aid Nicaragua

By Tim Coone in Managua and Lionel Barber in Washington

US PRESIDENT George Bush yesterday welcomed the surprise landslide victory of Mrs Violeta Barrios de Chamorro, candidate of UNO, the US-backed opposition alliance, in Nicaragua's presidential elections.

Mr Bush signalled that the US was prepared to lift economic sanctions against Nicaragua in the wake of the alliance's victory in the congressional elections which ends 11 years of rule by the left-wing Sandinista party (FSLN).

During the past decade of bitter animosity between Washington and Managua, the US backed the anti-Sandinista Contras in a proxy war aimed at unseating the left-wing government.

President Daniel Ortega yesterday conceded defeat to Mrs Chamorro, saying: "The results show a tendency which cannot be ignored... I want to say to the people of Nicaragua and the world that the President and Government of Nicaragua will respect the popular mandate expressed in these elections."

With more than 75 per cent of the vote in, Mrs Chamorro was winning 55 per cent, against 41.5 per cent for President Ortega in the presidential race.

The new government will take office on April 25.

The results indicate that the FSLN vote suffered as much as a 20 per cent swing to the opposition in comparison to the elections held in 1984, and that voter turnout was more than 90 per cent.

It will not be clear until the final results are announced, whether UNO will hold the two-thirds majority in the Assembly necessary to allow it make the constitutional changes UNO leaders have said they want to carry out.

Mrs Chamorro's victory caught the Bush Administration off guard and officials were yesterday scrambling to produce new plans for a large aid package for Nicaragua where the economy has been devastated by a 10-year civil war.

Mr Bush called for a peaceful transition to democratic rule and said there was no reason for further fighting between Contra rebels and the Sandinista Government.

In the US Congress yesterday, support for large US assistance mounted.

Continued on Page 26
Lady inherits keys to a tropical ruin Page 6; Sandinistas lose hunger vote, Page 24

Mrs Chamorro and vice-president elect Virgilio Goday (right) celebrate the alliance's election win.

A woman to rewrite history

By Robert Graham, Latin America Editor

LATIN America knows few female heroes and only two previous women as national leaders. Mrs Violeta Chamorro is set to change history: she will be the first female president in Central America.

However, she owes this to what she stands for rather than her own career. Mrs Chamorro was chosen as a compromise candidate to head the 11-party opposition coalition, National Opposition Union (UNO), last year because of her late husband, Pedro Joaquin Chamorro. A prominent conservative figure and editor of the family newspaper, La Prensa, Pedro Joaquin was gunned down by the henchmen of the Somoza dictatorship in January 1978.

The assassination of such a prominent person seeking a decent democratic alternative to Somoza elevated Pedro Joaquim to virtual martyrdom. Having always been in his shadow, Mrs Chamorro assumed his mantle in her widowhood. "My life began with my husband. My life with him was my university and my knowledge to be where I am today in Nicaragua", she told the Financial Times in an interview after agreeing to run for the presidency.

The Chamorro mantle is a formidable one, the family being the best-known name in Nicaragua associated with the country's at almost every turn since they arrived in the New World from Seville in the 1730s.

One of her sons is a former Contra leader; another is editor of the Sandinista newspaper, Barricada; while her brother-in-law left La Prensa over a disagreement after the Revolution to edit the pro-Government, Nuevo Diario.

The 61-year-old Mrs Chamorro's first venture into politics was in 1979 when she

Continued on Page 26

Rover agrees two-hour cut in working week for manual staff

By Michael Smith, Labour Correspondent, in London

ROVER GROUP yesterday became the first volume car producer in the UK to agree a 37-hour working week for manual employees. The two hour cut will increase significantly the pressure on other UK engineering employers, particularly those in the motor industry, to concede a shorter working week

Yesterday's offer came as talks for hours cuts at the Preston and Chester plants of British Aerospace, Rover's parent company, moved closer to agreement.

Rover's offer to 30,000 manual employees stems from its desire to become the first UK car producer to introduce round-the-clock shift working on assembly lines. The unions had made clear that they would not agree to this before next November's pay talks, unless cuts in hours were made.

Both BAe's and Rover's factories have been closed by strikes for 17 weeks, severely curtailing production at Airbus Industrie, the aircraft consortium of which BAe is a part.

BAe, already facing demands to compensate its consortium partners, is under intense pressure to reach outline agreements with the unions before next Friday's Airbus supervisory board meeting.

At Preston, union representatives agreed to recommend a revised offer for a 37-hour week. A mass meeting is likely later this week or early next week. The Chester negotiators are also thought to be close to a deal.

Since UK engineering unions began a national strikes campaign for shorter working weeks last October, less than 50 companies have agreed to hours cuts. Both Ford and Vauxhall, the General Motors subsidiary, resisted union calls for shorter working weeks in recent pay negotiations.

Union leaders at Ford yesterday called for immediate talks on the issue, emphasising that the company's reasoning for resisting an hours reduction was that a cut would put it out of step with competitors.

Ford and Vauxhall have both agreed to talks on a shorter working week. However, unions at Vauxhall said yesterday that they would be pressing for hours cuts before the company's target date of next January.

Mr Bill Jordan, president of the AEU engineering union, said yesterday that the Rover deal would have implications for thousands of motor component suppliers.

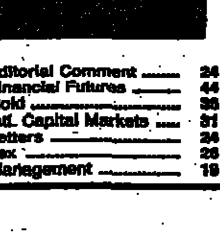
Mr Norman Haslam, Rover's personnel director, said a 37-hour week was coming anyway throughout British industry. However, the company insisted the cut must be achieved without affecting capacity and without increasing unit labour costs.

Detailed arrangements of how the cuts will be financed will be discussed next month before being taken to national negotiators. A one-hour cut will be implemented when any agreement is signed and a further hour reduction will follow a year later.

At BAe's Preston plant, the revised offer is thought to include a one-off payment of £650 to white collar workers.

CONTENTS

Kopp affair forces Swiss to swallow some home truths



The trial of Elisabeth Kopp, the former Justice Minister acquitted last week of breaking official secrecy laws, is set to generate the biggest shake-up to Swiss establishment for generations.
Page 2

MARKETS

STERLING
New York lunchtime:
$1.69235
London:
$1.693 (1.709)
DM2.86 (2.8675)
FFr9.685 (9.7125)
SFr2.5175 (2.525)
Y252 (251.25)
£ Index 90.1 (90.2)

GOLD
New York: Comex Apr
$410.8
London:
$411.25 (416)

N SEA OIL (Argus)
Brent 15-day Apr
$19.4 (+0.125)

Chief price changes yesterday: Page 27

DOLLAR
New York lunchtime:
DM1.6928
FFr5.7265
SFr1.4915
Y148.85
London:
DM1.69 (1.678)
FFr5.72 (5.6825)
SFr1.4865 (1.477)
Y148.8 (146.95)
$ Index 67.6 (67.1)
Tokyo close: Y148.65

US Lunchtime Rates
Fed Funds 8¼%
3-mo Treasury Bills:
yield: 7.955%
Long Bond:
99 $\frac{3}{32}$
yield: 8.52%

STOCK INDICES
FT-SE 100:
2,249.3 (+12.6)
FT Ordinary:
1,778.1 (+13.8)
FT-A All Share:
1,118.85 (+0.4%)
New York lunchtime:
DJ Ind. Av.
2,585.14 (+20.95)
S&P Comp
326.66 (+2.51)
Tokyo: *Nikkei*
33,321.87 (−1,569.1)

LONDON MONEY
3-month Interbank:
closing 15 $\frac{3}{32}$ % (same)
Liffe long gilt future:
85 $\frac{21}{32}$ (85⅝)

EUROPEAN NEWS

Kopp affair forces Swiss to swallow some unpalatable truths

William Dullforce on a case which is set to generate a big shake-up in the country's political and business establishment

THE TRIAL of Mrs Elisabeth Kopp, the former Justice Minister acquitted last week of breaking official secrecy laws by supreme court judges, mirrors more than the moral and political tragedy of Switzerland's first woman cabinet minister.

The "Kopp affair" is set to generate the biggest shake-up in the Swiss political and business establishment for several generations.

It has revealed the dark underbelly of the democratic, economically liberal system which enabled a small confederation of 26 cantons to make its hard-working citizens the most prosperous in Europe in the post-war era. Future historians are likely to couple it with the national referendum last November, in which more than 35 per cent of the Swiss voted to abolish their militia army, as signposting a break with the past in Swiss political life.

Mrs Kopp's acquittal has divided public and political opinion. Her judges gave her the benefit of the doubt. They found that the prosecution had not proved that, when she warned her husband by telephone of a money laundering probe, she had known that the information given to her originated within her ministry.

Many Swiss bankers, businessmen and centre and right-wing politicians feel that Mrs Kopp's political downfall – she was forced to resign in January last year – was punishment enough for a relatively venal fault. For others, including Mr Helmut Hubacher, leader of the Socialist Party which forms part of the governing coalition, the judges' verdict, condemning Mrs Kopp's personal assistant but without imposing any penalty, showed that not every Swiss was equal before the law.

However, most Swiss are much more concerned about the disclosures which the Kopp affair has brought to light of how their confederation has been run. These disclosures follow three interwoven strands.

First there is the laundering through Swiss bank and companies of "dirty money" from the international drugs traffic.

The Kopp affair originated with the seizure of a Turkish lorry carrying heroin by police in the canton of Ticino. The investigating magistrate arrested two brothers who, he charged, had been regularly laundering money for the drugs mafia in Switzerland. The investigator's attention focused on a company in Zurich, of which Mrs Kopp's husband was vice-president.

> Many Swiss are seriously concerned about the disclosures which the Kopp affair has brought to light about how their confederation has been run

Swiss bankers and officials claim that Switzerland is not exceptional as a centre for money laundering. But not a few Swiss learnt for the first time how easy it is to bring banknotes into Switzerland for conversion into other currencies or for deposit.

The second strand in the skein is the secrecy underpinning Swiss administrative, banking and commercial practice. By Swiss law, based on an individual's right to privacy, a breach of secrecy is a criminal act. This has for long been an important advantage for Swiss banking in attracting foreign wealth.

But the Kopp case has uncovered an aspect of Swiss secrecy which has disconcerted many of its own citizens. The parliamentary commission of inquiry prompted by the affair revealed in its report that the federal police – attached to the federal public prosecutor's office – held 900,000 secret security files, covering some 200,000 Swiss citizens as well as foreigners and various organisations.

More secret files were uncovered after the commission had written its report. These were concerned with so-called extremists; potential saboteurs; federal officials deemed to be untrustworthy; terrorists; people who had militated in favour of a separate canton of Jura in the 1960s and 1970s; and a list of Swiss citizens that travelled to eastern Europe or had contacts there.

As the Kopp trial was about to start, the personal enquiries of a Socialist party member led to the discovery of further files in the Defence Ministry on potential traitors and saboteurs within the militia army and a security register which Mr Kaspar Villiger, the Defence Minister, acknowledged contained 200-300 files of "sensitive" data on individuals.

Some files date back to the 1950s and have not been kept up to date for 10 years or more. They were started in an anti-Communist cold-war climate quite alien to that now prevailing in Europe. But all were unknown to the public, the parliament and to the Government – at least to its present members.

The third strand in the skein is the revelation of the existence of a body of army and civil administrative officials which has apparently been able to collect information for and maintain the secret files without any democratic control.

People have been shocked rather than appeased by disclaimers from federal cabinet ministers that they knew of the existence of the files. Mr Arnold Koller, current President of the Confederation and Mrs Kopp's successor in the Justice Ministry, confessed that he did know whether to laugh or cry, as one disclosure followed another.

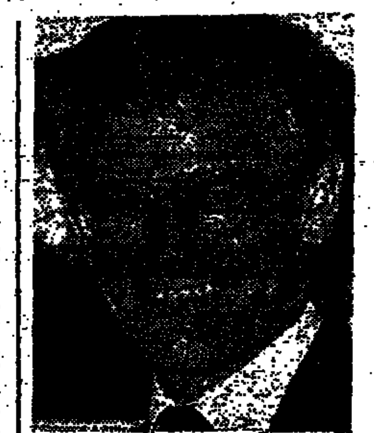
Public and media reaction has been extremely fierce by normal Swiss standards. "Big Brother in the landscape of Heidi," one commentator wrote. Some political groups have formed a committee "to get rid of the snooper-state".

The three bourgeois political parties – Radicals (conservative), Christian Democrats, and Swiss People's Party (liberal) – which have formed the ruling coalition with the Socialists for the past 40 years are bending but not breaking beneath the storm.

Changes are inevitable. The federal prosecutor was dismissed soon after Mrs Kopp resigned. The federal police chief, who also acted as head of army security, was sent on leave this month. Most of the files are being opened to public scrutiny. A bill against money laundering should pass parliament by the summer. Plans are under way to streamline the militia. The Government promises legislation to restrict and ensure parliamentary control over the activities of the security police.

These measures come as Switzerland is gradually responding to external pressures, notably from the creation of the European Community's single market, which are forcing it to revise fiscal controls and cartel arrangements, open company shares to foreign investors and possibly – depending on the final deal struck between the EC and the six countries in the European Free Trade Association – trim the jealously guarded powers of its cantons.

Swiss bankers and businessmen, fully aware of the damage being done abroad to the confederation's image for stability, badly want public confidence to be restored and are looking to the federal Government for decisive action. But most of them acknowledge that Switzerland is inexorably moving towards more open political and corporate structures.



Carlsson: revised plan

Carlsson back as premier

SWEDEN'S Parliament re-appointed Mr Ingvar Carlsson, the Social Democratic leader, as Prime Minister yesterday, only 11 days after his minority Government resigned over a controversial economic package, Reuter reports from Stockholm.

The vote was 175 in favour of Mr Carlsson, with 101 against, and 59 abstentions. Fourteen of the assembly's 349 members were absent.

Mr Carlsson's own party and its traditional Communist Party ally supported the acting Prime Minister. The opposition Conservative and Liberal parties voted against him, while the Centre and Green parties abstained.

Mr Carlsson, 55, who became Prime Minister after Mr Olof Palme was assassinated in February 1986, will head a new minority Government and is due to present his cabinet today.

Mr Carlsson resigned earlier after the Communist Party joined the centre-right opposition in rejecting a proposed ban on strikes and wage rises – parts of an economic package designed to tackle labour unrest and spiralling wages.

The proposals were dropped in a revised plan announced last week which included a freeze on prices and rents and appointment of a national mediator between unions and employers who will try to hammer out restrained wage rises for this year and next.

"We are satisfied that the Government has scrapped its anti-union proposals," Mr Lars Werner, the Communist Party leader, told parliament.

Poland to join European satellite organisation

By William Dawkins in Paris

POLAND WILL this week join Eutelsat, the pan-European satellite operator, the first nation to join since its foundation in its present form by 26 countries in 1985.

The deal is the latest sign of European readiness to boost the transfer of technology to the east bloc. It comes 10 days after western allies reached a separate agreement in principle – subject to a final accord on details – to ease strategic trade curbs on sales of telecommunications equipment, microcomputers and sophisticated machine tools, to the east bloc and China.

Warsaw is planning to lease transponders on two of Eutelsat's four satellites to provide better telephone links with 18 European countries. The Polish earth station required is expected to open next year.

Other eastern European countries are also queuing to join. The Paris-based organisation aims to decide its response to an application from Romania in May or June, while Hungary and Czechoslovakia are expected to apply shortly, say Eutelsat officials. Bulgaria is also understood to be considering an application.

Mr Jean Grenier, Eutelsat's director general, said the accord, to be signed at the satellite organisation's headquarters on Thursday, was its first response to the sweeping changes taking place in eastern Europe.

Poland will be the second east European member of the organisation, which has always been open to any member of the European Broadcasting Union. Yugoslavia has been in Eutelsat since 1985.

To cope with the growing demands on its capacity, Eutelsat plans to launch two more satellites this year, barring delays caused by the inquiry into the recent explosion of an Ariane rocket, Eutelsat's main launch vehicle.

Jobs to go in Norwegian banks merger

TWO NORWEGIAN banks, merging from April to form Norway's biggest financial institution, said yesterday they were reducing their combined workforce of 8,000 by 1,100-1,200 as part of a cost-cutting drive, Reuter reports from Oslo.

Den Norske Creditbank and Bergen Bank, which will become Den Norske Bank, reported improved results for 1989 last week even though they both showed heavier losses on bad loans than in the previous year.

The banks said they would cut 700 staff in Norway and 400-500 abroad as part of their drive to trim costs by NKr500m-Nkr750m (£45.5m-£68.2m) by 1991.

Several banks in Scandinavia have announced mergers in recent months, partly to prepare for stiff competition from the European Community as Nordic nations reduce barriers to financial trading.

EC treat in store for Dutch retailers

By Maggie Urry

DUTCH RETAILERS are best placed to benefit from the single European market. The Portuguese retail market is one of the most backward in Western Europe, but is becoming more dynamic. West Germany could be the most profitable retail market in Europe.

These are some of the findings of a series of 15 country-by-country reports on retailing in Western Europe, written by Corporate Intelligence Group, the UK-based research firm.

Corporate Intelligence found there was a need for more information about European retail markets as retailers are now looking to expand overseas, some of them feeling hemmed in by the maturity of their domestic markets.

In response it produced the 15 reports, which cover the social, economic and political background to each country's retail market, examine the structure of retailing and profile the leading stores groups. They look at existing cross-border investments and assess the prospects for more.

French retailers, for instance, are at the forefront of foreign retailers taking advantage of Spain's buoyant retail market. But Greece might be difficult for outside stores groups to penetrate, since "Greek retailing remains resolutely un-European", the report on Greece says.

The total West European market has 3.4m shops serving 350m consumers. Switzerland has the highest sales per head, Italy has the most shops, and Greece the fewest number of people per shop.

Retailing in Europe, 15 country reports, £695 for all; £120 each for France, West Germany, Italy, Spain, UK; £95 each for remaining countries, Belgium and Luxembourg in one volume. From Corporate Intelligence Group Research Publications, 51 Doughty Street, London WC1N 2LS.

Finnish bank strike close to settlement

By Enrique Tessieri in Helsinki

FINLAND'S four-week-old bank strike looked close to resolution yesterday as Mr Pauli Salmio, chairman of the Finnish Banking Employees' Union (FBEU), said his union was ready to reduce its wage demand to 8.5 per cent.

The 30,000-strong union on Sunday rejected a 7.2 per cent offer from Mr Jorma Reini, the national mediator.

However, Mr Simo Leivo, the FBEU's chief negotiator, said: "We believe that the bank strike won't last more than two weeks longer and could even be resolved in a week."

The strike has put strains on state-owned Postipankki, the only Finnish bank to keep its doors open during the dispute. Because of long queues, its branch offices have been forced to close their doors for one or two hours a day.

A week ago Postipankki refused to open new accounts, which have risen by 40,000 during the strike. It has also refused to make pension payments for non-clients.

Analysts believe that the strike has not affected large corporations, since most of them had long-standing accounts with Postipankki. However, numerous small Finnish companies have been facing liquidity problems.

EUROPEAN NEWS

Moscow tells Havel troops will go by July next year

By Our Foreign Staff

THE FIRST trainloads of Soviet soldiers began leaving Czechoslovakia yesterday as President Vaclav Havel arrived in Moscow and finalised arrangements for their complete withdrawal.

The Soviet Union had agreed formally to pull all its 73,500 troops out of Czechoslovakia by July 1 next year, he said yesterday.

Mr Havel, a former dissident playwright who was persecuted by Communist authorities after the 1968 Warsaw Pact invasion and denounced only last year by the official Soviet media as an enemy of socialism, was greeted with full honours by Mr Anatoly Lukyanov, the Soviet Vice President.

After a wreath-laying ceremony he went on to talks with President Mikhail Gorbachev. Mr Havel, who met US President George Bush in Washington last week, reached agreement on a deal for the final withdrawal of Soviet troops from Czechoslovakia in three stages by the middle of next year.

Under the agreement, initialled by deputy foreign ministers last week, most of the troops will leave by the end of next May.

The first two trainloads of units from the 31st Tank Division left Frenstat, near the Polish border, yesterday.

A Soviet band played as the trains pulled out, but only small groups of locals watched the beginning of the end of 22 years of Soviet military presence.

The withdrawal had long been planned as part of Mr Gorbachev's offers to remove troops from eastern Europe, but was brought forward to coincide with Mr Havel's Moscow visit.

The second phase of the pull-out will last until December, and the third will complete the operation by July 1991.

Czechoslovakia's coalition Government originally demanded that all troops leave by the end of this year, but Mr Havel told the US Congress last week that the most important thing was that as many as possible leave before the elections in June.

The official Soviet media, reflecting Soviet concern to maintain good relations with governments which have recently replaced old-style Communist administrations, have given Mr Havel's visit the build-up reserved for any visiting leader.

Western companies urged to join ventures in East Germany

By David Goodhart in Bonn

WEST German companies should invite other West European companies to participate in joint ventures in East Germany to help reduce fears of an over-mighty German economy, according to one of West Germany's most internationally respected business leaders.

Mr Detlev Rohwedder, head of the steel group Hoesch and a former Social Democratic state secretary in the Economics Ministry, said that it was important for West Germans not to monopolise the opening up of East Germany which could lead to mistrust especially in France and Britain.

Some East German business leaders, fearful of being gobbled up by West Germany, have also stressed their special interest in alliances with other Western countries. As well as access to the East German market, such alliances can often provide access to other Eastern European or Soviet markets, say East German bosses.

Dortmund-based Hoesch is planning to increase its business with East Germany by about 25 per cent in the current year, and has opened joint venture talks with Eisenhuetten Kombinat. Last year it did business valued at Dm200m ($119m).

Mr Rohwedder has also added his voice to those warning against an over-hasty currency union between the two German states.

He said that such a move could hasten, rather than prevent, the much feared collapse of the East German economy as most businesses would immediately become uncompetitive.

He proposes instead a fixed exchange rate between the West and East German marks which could act as a "protective shield" for the East German economy as it reforms. He points to the example of the fixed conversion rate between the D-Mark and the US dollar for many years after the West German currency reform of 1948.

● Mr Heinz Warzecha, the head of one of East Germany's best-known machine tool companies, the October 7 Kombinat based in East Berlin, has said that he may liquidate his own job as he breaks up the Kombinat into its 16 constituent businesses over the year.

● West Germany's national airline Lufthansa said yesterday it was discussing taking a minority stake in Interflug, East Germany's state carrier.

Brussels to study effects of Volvo, Renault alliance

By Lucy Kellaway in Brussels

THE European Commission is to examine the competitive effects of the tie-up between Volvo and Renault, and expects to receive full details of the alliance from both companies later this week.

Its investigation will focus on the truck market, where both companies are strongly placed. The potential effects on the European car market, of which Volvo has only 2 per cent, are thought to be negligible.

According to industry figures, the combined output of Volvo and Renault in heavy trucks would be the biggest in Western Europe, leaving Daimler-Benz second. In 1988, Volvo produced 34,000 trucks of more than 16 tonnes, and Renault 27,000. Daimler made 49,000.

The two companies together account for 21 per cent of the 1988 turnover in the light truck market (more than 3.5 tonnes) in second place to Mercedes Benz, which had 24.8 per cent.

The inquiry will further complicate the dispute between the Commission and Renault over FFr12bn (£1.2bn) of allegedly illegal state aid granted to the company in 1988. The Commission is studying a proposal by Renault, in which the company suggests that about a quarter of the aid be repaid.

The Commission has argued that the two conditions under which the aid was originally granted – that the company change its "régie" status, and cut capacity – have not been met. Even though there are no signs that the Volvo/Renault deal will result in any cut in capacity, the deal will require the company to change – so it is not longer automatically protected from bankruptcy.

An official said yesterday that the Commission would seek to keep the two inquiries separate, as the Renault investigation related to actions in the past, and was therefore not changed by the Volvo alliance. Talks with the French government were continuing, and a decision could be expected by end-March.

The new inquiry will add to the work-load of the car experts in the competition department, thought to be about two weeks away from a decision on aid granted to British Aerospace for the purchase of Rover.

Although the two cases are separate, there is a powerful political link between them, and the Commission will want to be seen to be even-handed in its judgments.

European research ministers yesterday risked a clash with the European Parliament by refusing to raise the research budget for the next five years, Lucy Kellaway writes.

In December, member states agreed to spend Ecu 5.7bn on research for 1990/94 – Ecu 2bn below the Commission's suggestion and 2.5bn less than parliament recommended. Parliament has said the amount is too low and demanded an extra Ecu 200m minimum.

Mr Michael Smith, Irish research minister, said no more money would be offered, and gave Parliament up to three weeks to approve the plans. To go ahead without approval would be sensitive, when Parliament feels its views are not sufficiently heeded.

Genscher takes issue with Thatcher on unification

By David Goodhart in Bonn

THE BONN Government yesterday disagreed forcefully with Mrs Margaret Thatcher over the process of reunification when Mr Hans-Dietrich Genscher, the foreign minister, contradicted the British prime minister's claim that East Germany could not automatically step into the EC as part of a united Germany.

Mr Genscher said no alteration to the EC treaty would be needed after unification of the two German states and claimed that Mr Jacques Delors, the EC president, supported this view.

Meanwhile, pressure is growing on Chancellor Helmut Kohl to accept once and for all the current German-Polish border.

There had been some expectation that he would finally put to rest all fears over German claims on Polish territories during his weekend visit to the US.

His failure to do so has released a wave of international criticism. Poland yesterday expressed disappointment at Mr Kohl's failure to go further on the border issue.

Mr Kohl maintains that West Germany has no territorial claims but that he is not legally entitled to speak for a united Germany. Some observers believe that Mr Kohl also fears losing right-wing voters through premature confirmation of the existing borders under international pressure.

Opposition tops Hungarian poll

THE CAMPAIGN for next month's Hungarian elections gets properly under way this week with the radical opposition Alliance of Free Democrats surging ahead in the latest opinion poll, writes Nicholas Denton.

With the support of 25 per cent of decided voters, the Free Democrats have overtaken their main rivals, the conservative Hungarian Democratic Forum, with 20 per cent. Also running strongly is a Free Democrats ally, the Smallholders Party, particularly popular in the countryside. On present showings these three parties will dominate parliament.

The ruling Socialist Party is already resigned to a poor result on March 25. Yesterday's poll showed its likely vote at around 10 per cent.

EC approves food wrap rules

By Tim Dickson in Brussels

NEW rules designed to guarantee the safety of plastics used in the preparation and packaging of food products have been approved by the European Community.

The directive, seen in Brussels as an important step to a single market in food, is based on the "positive list" principle and means that those materials not admitted to it by January 1 1993, will effectively be banned for commercial use thereafter.

All plastics which come into contact with food products are covered by the legislation, including packaging such as drinks containers and clingfilm, kitchen utensils such as pots and plates, and production equipment like siphons.

To win EC authorisation, manufacturers must first provide relevant toxicological and technological data so the independent Scientific Committee for Food (SCF) can assess if the material poses any risk to human health, particularly long-term.

A Commission official pointed out last night that as matters stand, well over half the plastics materials currently permitted by national authorities have not yet been vetted by this committee – and that information provided has often been "insufficient" for a final decision. Industry was therefore under growing time pressure to submit supplementary data to meet the 1993 deadline.

The Commission stressed yesterday that "in the 1990s the European consumer increasingly requires food products that are of good quality and safe." The new EC legislation is a so-called application directive stemming from a "framework" directive on materials and objects coming into contact with food, first proposed by Brussels in the 1985 Internal Market White Paper and approved by member states last year.

The new rules on plastics follow close consultation with industrial and consumer organisations and have been approved by member state representatives in the EC's Standing Committee on Foodstuffs. It is nevertheless notable that this is the first important instance of the Commission using its delegated powers in the food area.

Little agit and not much prop on the Moscow campaign trail

Soviet elections

The state lends a dead hand of assistance to those seeking office in Russian local elections, writes Mark Nicholson

THERE is no direct Russian translation of "publicity stunt." But Mr Igor Lobzin, an electoral officer in a Moscow suburb, understood the Western concept well enough when the example of Mr Ken Livingstone riding an elephant was put to him.

"We've not had elephants, but last year one candidate hired a motor vehicle, covered it with pictures of himself and drove around the district advertising himself and his platform," he said disapprovingly.

What might be the norm in a British election campaign is virtually an outrage in a Moscow suburb. For most candidates in the elections on March 4 to the district, city and Russian Republic soviets (councils) – voters tick off ballot papers for all three at once – campaigning is achieved on slender means under tight restrictions.

Furthermore, years of uncontested elections under Communist Party supervision have rather killed the hustings spirit. In the Moscow dormitory suburb of Babushkaya, where 270,000 voters live – almost exclusively in 16-storey apartment buildings – there is not a rosette in sight, not even a red one.

For Mr Alexander Strogalov, a chain-smoking 35-year-old mathematician and non-Party candidate for the Moscow city council, his campaign consists entirely of addressing small meetings with constituents who can be bothered to come out on the cold evenings, and trying to disseminate his manifesto, typed neatly on one sheet of A4 paper. It calls for more freedom of information and a greater divorce of powers between the party and state.

Every candidate is obliged to hold at least one meeting, under electoral laws tightly enforced by the region's electoral commission. Most hold as many as they can, since it is virtually their only chance of getting their programme across.

Spreading political leaflets is more difficult, as Mr Strogalov wearily explains. Holding up the thick booklet of election laws, he says they allow him, in theory, to reproduce as many copies as he wishes. They also say that his supporters, fellow-workers and those who nominated him to run, are all entitled to "agitate" on his behalf.

But having leaflets printed is almost impossible, since printers are mostly state enterprises, which are forbidden by the law to offer material support for any candidate – on grounds of fairness to all. Nor can enterprises underwrite photocopying expenses. Supporters and fellow workers can agitate all they like, but can offer no material help either.

When he asked the election commission for help, they told him he was free to finance copying or printing himself, but must then also pay for the printing of each of his rivals' manifestos; otherwise he would have an "undemocratic advantage."

"Why on earth should I do that?" Mr Strogalov asks with a sigh.

His case is typical, although some candidates, either through influence or acumen in exploiting legal loopholes, do seem to manage to circulate some leaflets and even primitive felt-tip pen posters.

At the electoral commission, though, Mr Lobzin is unrepentant about this heavy even-handedness. The commission exists, he says, to ensure fairness and equal opportunity for all candidates: if all the candidates in a constituency make a united approach, the commission may consent to pay for each of their leaflets to be printed.

Should that not be the norm? "We are still studying these types of things," he explains.

Candidates consider the commission lays a dead hand on an already difficult campaigning process. The only official information it disseminates are standard posters for each constituency, comprising small photographs of each candidate above about 50 lines of biographical detail; marital status, job, children, and so on.

No "agitation or propaganda" – political information – is allowed. The posters went up in Moscow apartment blocks and workplaces just 11 days before polling.

A recent contributor to Moscow News, the weekly newspaper, lamenting the late appearance and general unhelpfulness of these very posters, complained: "The current election campaign in the Russian Federation is remarkable for the multitude of candidates and the almost total news blackout on them."

Mr Stepan Yefremov, an owlish 64-year-old Party candidate for the regional council, says he will be lucky if 5 per cent of his ward's 2,000 electorate have heard of him by polling day. To remedy this, he has decided to take the unprecedented step of doorstepping voters each evening.

In part, he says, candidates are themselves to blame for the rudimentary state of campaigning, deadened as they are by long traditions of election by party-managed rote. Even today, he adds, complacent party apparatchiks dislike and, where they have influence, quietly discourage activist campaigning.

"There is never any debate during elections," he says. "I would like to challenge my rival candidates directly, and challenge the present council leaders on their policies, but there is nowhere to do it." There are multi-candidate rallies, he concedes, but says the electoral commission sees them solely as means to "introduce" the candidates, and claims he has seen officials step in to stop exchanges between them.

The press, he adds, is no help. He blames apathy. Journalists on the local paper tell him there is no space for his or other candidates' views. Moscow Pravda, a city-wide newspaper, carries a directory of candidates in every constituency, but it comes in a one-off supplement which costs extra and contains only a few lines of biographical facts.

Moscow's suburbs are not at the stirring edge of the Soviet Union's political tumult. There is no blood-coursing talk of secession to set campaigns alight as in the Baltics, nor has Moscow seen such anti-party revolts as have toppled leaders elsewhere in the country. In Babushkaya, a "rally" can typically mean 10 people chatting over coffee and biscuits.

But the auguries for any future multi-party democratic system in Babushkaya are not untypical – nor are they specially promising. At the bureaucratic centre, in the shape of the electoral commission, all is well. "A multi-party system will make no difference," says Mr Lobzin. "The same rules will apply."

The thought prompts a guffaw from Mr Yefremov. "Naturally, there will have to be great changes," he says. "Of course, the rules must change, the voters must change, the candidates must change."

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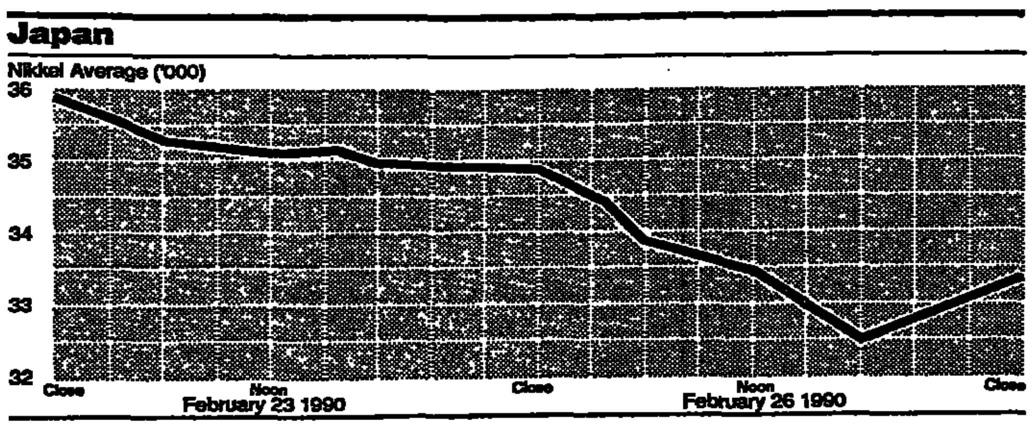
THE MARKETS CRISIS IN TOKYO



Industry and banks count the cost of slide in prices

By Stefan Wagstyl in Tokyo

THE plunge in the Tokyo stock market yesterday almost reached the point at which a correction becomes a crash.

"For the first time here, there were signs of panic," said Mr Simon Smithson, a manager at Kleinwort Benson International, an affiliate of the British merchant bank.

At one moment, when the Nikkei index of leading shares was over 2,400 points down, some fund managers began to lose their nerve and started trying to sell stock in earnest. But in the absence of buyers they drew back and the Nikkei index recovered to close nearly 900 points above the day's low at 33,321.87.

Nevertheless, the market's inability to stop falling after a week of precipitous decline has shaken investors more than anything since the crash of October 1987. With the distinct possibility in mind that the stock market may have further to fall, brokers and bankers are trying to calculate the consequences for Japanese industry and finance.

● The turmoil is already hitting Japanese companies' plans to raise new equity funds, the main source of capital for industry's recent phenomenal expansion. Matsushita Electric Industrial yesterday postponed a planned $1bn equity warrant bond issue. Other companies are expected to do the same. "Companies have been taking advantage of high share prices to do equity financings, and that will become more difficult," said Mr Noboyuki Ueda, an economist at the Long-Term Credit Bank.

But capital spending is not expected to fall, since Japanese industry still wants to invest in research and development, diversification and, above all, labour saving equipment.

Companies will instead have to rely more on bank borrowings, thereby raising their costs since loans at 6-7 per cent are more expensive than equity funds at 1 per cent or so.

Nevertheless, their overall equity ratio has fallen greatly from just over 20 per cent in the 1980s to over 30 per cent last year – so they are well placed to take the strain.

● The impact on the economy as a whole is expected to be minimal. The annual rate of GNP growth should stay at around 4 per cent for 1990. Fears that the 1987 crash would have a severe effect on the US by hitting consumption did not materialise. Japanese individuals have much less of their money invested directly in the stock market than Americans, so the impact on people's savings will be smaller. Consumer spending is therefore not likely to be strongly affected.

As for business confidence, surveys by the Bank of Japan indicated that confidence was already slipping from highs last summer, because of fears of inflation and higher interest rates. The stock market decline, coupled with the simultaneous collapse in bond prices and turmoil in the foreign exchange markets, may increase the sense of unease in the short-term but need not have serious long-term consequences, any more than it did in the US.

However, the crisis may increase fears of inflation. Signals from the Bank of Japan that it wanted to raise interest rates helped to precipitate the market's decline. If the central bank is forced to postpone the suggested increase in the Official Discount Rate because of a risk of pushing the stock market down further, then it will be unable to curb money supply growth as it wished. Extra growth in the money supply increases the danger of inflation.

● The plunge in bonds and stocks will hurt Japanese financial companies. Banks are being squeezed by the rise in interest rates which has increased fund-raising costs, especially as they now have to raise some two-thirds of funds at free market rates, compared with less than one third in the early 1980s. Profits are likely to be well down. As big holders of bonds, banks have also suffered huge unrealised losses on their portfolios, some will disclose them in the financial year ending next month, others will carry them over in the hope that prices will recover in the future.

Securities houses are likely to be doubly hit by a decline in earnings from stockbroking and from underwriting corporate fund-raising. The impact of low turnover on the Tokyo Stock Exchange in the past year has been disguised by bumper revenue from warrant bonds. But the downturn in the market will effect warrant bond issues. So brokers will have to rely more on alternative sources on revenue – notably broking foreign securities to Japanese investors. Fortunately, big Japanese brokers are sufficiently well-capitalised to cope with even a prolonged downturn in business.

● Japanese investment in overseas securities may falter as a result of the shock of the last few days. However, the flow should recover since the proportion of foreign securities in Japanese portfolios is still small – less than 10 per cent of assets for investment trusts, for example. Mr Akira Shimizu, managing director of Nomura Securities Investment Trust Management, said yesterday: "Investors now realise that the yen is not a one-way bet."

Computers get blame for slip of the anchor

By Stephen Fidler, Euromarkets Correspondent, in Tokyo

WHEN the collapse of Wall Street share prices in October 1987 sent stock markets tumbling worldwide, Tokyo seemed to stand as an anchor of the international financial system. The role of Chicago's futures markets in promoting the drop in prices became the subject of intense political debate in Washington. In Japan, the lack of such markets to facilitate computer program trading was widely cited as a factor helping stability.

Since then, Japan has established stock index futures markets – where baskets of stocks are bought and sold for future settlement – and they are now coming under fire for their supposed role in the collapse.

Of the two types of program trading blamed in 1987 for the US crash, one – known as portfolio insurance – has been largely discredited. Nearly everybody agrees that portfolio insurance, a technique which attempted to limit losses on share portfolios as the market was falling, did destabilise the market. But there was no such consensus on stock index arbitrage – now the focus of attention in Tokyo.

Those in it – prominent among them, US securities houses such as Salomon Brothers – use computers to follow minute price movements in both the prices of stock index futures and in the underlying shares trading on the Tokyo Stock Exchange. When, as in the last week, futures prices are leading the stock market down, they buy futures contracts and sell the underlying shares. This sometimes makes foreign houses large sellers of shares on the TSE, although they are making counterbalancing buy orders in the futures markets.

Worries about market volatility had seemed likely to produce new proposals from the Ministry of Finance and the TSE for dealing with the issue. Yesterday, the exchange asked index arbitrageurs from today to execute trades only at the opening of each morning and afternoon session, like "playing poker with your cards on the table," according to one follower of the market.

The issue is sensitive, partly because some believe that foreigners are being made convenient scapegoats for a Japanese problem: the overvaluation of share prices.

The activity of Salomon Brothers Asia in the futures market, in particular last week, has been widely rumoured as a factor in the price collapse.

Mr Deryck Maughan, Salomon Brothers Asia chairman, said yesterday such talk was "ill-informed gossip not supported by the facts." He said his firm had been a seller of Japanese shares on behalf of foreign clients, but it could hardly refuse to execute the orders. Selling for its own book had not been significant.

Asked about index arbitrage, he said Salomon had sold 7m shares on Friday when market volume was about 450m shares. The firm executed no index arbitrage orders yesterday. "We held back but it didn't make any difference," he said. After last week's 6.9 per cent drop, prices were at one point yesterday 7 per cent down on Friday.

In fact, index arbitrage generally was rendered impossible for much of yesterday by the suspension of trading in the two most important futures contracts because of the sharp price falls. The Osaka Stock Exchange's Nikkei 225 futures contracts – the main vehicle for arbitrage – fell the maximum permissible 1,200 points, but the maximum decline yesterday in the underlying market was double that.

The futures markets have brought a Japanese equivalent of America's "triple witching hour." In the US, this is when all nearby contracts for stock index futures, stock index options and options in individual stocks stop trading and the resolution of outstanding positions sometimes results in unusual stock market movements. One March 8, there will be the nearest Japanese equivalent, the last trading day for the March contract on just about all Japanese stock index options and futures exchanges. All outstanding contracts will be settled in cash at opening prices on March 9. There is exchange trading in individual stock options.

One question concerns how much of an overhang of positions there remains in the March contracts. Mr Hiroshi Uchida of the equity research department of CS First Boston in Tokyo said he believed 70-80 per cent of the stocks held for arbitrage purposes had already been liquidated.

A currency dealer shouts out a bid yesterday as the dollar soared

Few clues from Japan's inscrutable brokers

By William Hall in Tokyo

WHEN the Tokyo equity market is rising there is no shortage of Japanese brokerage firms ready to give out their latest bullish message. But when it is falling, the telephone calls suddenly cease, and convincing explanations as to why the market is going down, as opposed to up, are hard to find.

Mr Takatoshi Okuyama, head of investment advice at Daiwa Securities, Japan's second biggest securities firm, was one of the few people to be found yesterday willing to respond to the sorts of questions any normal Western fund manager might want to ask. Nomura Securities cancelled a long planned meeting and even Mr Okuyama was in a bit of a hurry to get back to the screens in his office. It was 10am and the Nikkei had fallen by over 900 points in the first hour of trading.

"Since the early part of this year we have been a bit nervous," admitted Mr Okuyama. There is no commonly agreed benchmark for valuing the Japanese equity market. Its average yield of 0.5 per cent is minute compared with Wall Street's 3.6 per cent or London's 4.7 per cent, and depending on how one works the figures the market's price earnings multiple is anywhere between 15 and 65.

One of Mr Okuyama's favourite tools for valuing the Japanese stock market is calculated by tracking the relationship between the yield on the long-term bond index and the earnings yield on the Nikkei 225. Daiwa is forecasting that the average Nikkei stock will earn 657 yen in the year to next March, which gives an earnings yield of a shade below 2 per cent. Meanwhile the yield on the long-term bond index is 6.7 per cent.

Before the October 1987 crash the gap had widened to over 5 percentage points and even after the latest setback the gap is still an above average 4.7 percentage points. However, the figures look less depressing if the earnings yield on the Nikkei is calculated as a percentage of the long bond yield. As long as it is around 30 per cent, as it is now, then Mr Okuyama says he can be reasonably confident that equities are not going lower.

However, for every reasonably optimistic Japanese investment manager it is possible to find half a dozen foreigners who can come up with far more frightening valuation techniques. Mr Stephen Church, head of research at UBS Phillips & Drew's Tokyo office, notes that the average price earnings multiple has almost doubled since 1983. He is not forecasting that they are going to collapse but it is easy to come up with some pretty scary scenarios for the Japanese stock market just by fiddling with the various ratios.

By some calculations the current earnings yield ratio of around 4 is well above average and merely by returning to the more normal 2.7 times, and allowing for a further modest rise in bond yields, implies a fall of 39 per cent, or 13,000 points. "Theoretical market valuations are extremely interest rate sensitive" says Kleinwort Benson's Japanese strategist, Mr Peter Tasker.

OVERSEAS NEWS

Australian plan involves big UN role in Cambodia

By John Murray Brown in Jakarta

AUSTRALIA'S peace plan for Cambodia calls for an "enhanced role for the United Nations" and outlines a "minimum timetable" which envisages elections in April 1991.

The 150-page report – the result of an Australian fact-finding mission to Cambodia this month – will get its first airing when warring factions start talks today in the Indonesian capital Jakarta.

The plan, details of which emerged yesterday, draws widely on the UN's Namibian experience, but goes much further than previous UN operations in devolving executive powers before elections.

The report details the possible costs, which range from $687m to $2.1bn for an operation lasting a year with as many as 150,000 UN officials involved.

The idea has been endorsed by the five permanent members of the UN Security Council in January, and is likely to be the basis for talks when the Paris International Conference on Cambodia reconvenes, perhaps later this year.

The report addresses the problem of how to run the country pending "free and fair elections." It considers ways to ensure the effectiveness but also impartiality of any interim administration assuming as it says "that almost any aspect could be manipulated to confer some party political advantage."

The plan has still to be agreed by the factions – the Vietnamese-installed government of Mr Hun Sen and the three-party resistance coalition. Mr Nguyen Co Thach, Vietnam's Foreign Minister, yesterday described it as "the basis for negotiations." Presenting the document Mr Gareth Evans, the Australian Foreign Minister, said it would be a breakthrough if the parties agreed.

The plan seeks to avoid the pitfalls of previous talks – the demand of the Khmer Rouge, the largest and most powerful resistance faction, that the Phnom Penh Government be dismantled as part of any settlement; and Mr Hun Sen's own objections to any Khmer Rouge involvement in an interim administration.

It considers options for UN involvement under six key headings: the structure of the interim government; civil administration; holding of elections; security function; guarantees of Cambodia's sovereignty, independence and neutrality after a settlement; and economic reconstruction.

The plan proposes sovereignty be symbolically vested in a supreme national council. Under one option the council will comprise "prominent Cambodians," rather than representatives of the political parties.

Under the most expensive option, "the root and branch" plan, UN officials would replace all Cambodian civil servant from ministers to junior staff involving more than 150,000 UN officials.

Referring to the second option – merely to replace the top 500 civil servants the report says "it will be very difficult for the continuity of the government to be ensured without the skills and the local knowledge which this group possess."

Apart from the "prohibitive cost" the Australian document warns it could produce massive disturbance in the Cambodian economy and society. It warns: "If the effect of UN involvement in the civilian administration were to reduce the capacity to manage inflation and the foreign exchange situation, then the adverse consequences could not only damage the Cambodian economy but also undermine the credibility of the UN's role."

Australian officials yesterday outlined a plan costing $1.3bn for an 18-month period to elections. This would include deploying 1,200 UN civil servants, 2,500 police, 2,900 polling officials, 2,000 interpreters and 5,500 security force to verify the withdrawal of foreign forces, ensure the end of external arms supplies and oversee a ceasefire.

Radical Hindus may gain in Indian polls

By David Housego in New Delhi

MORE THAN 200m people, or over a third of Indian voters, go to the polls today in state assembly elections that are expected to confirm the rise of the radical Hindu BJP party as a force in Indian politics.

The BJP is expected to gain control in at least two of the eight states going to the polls – Madhya Pradesh and Himachal Pradesh – and to be a minority partner in new coalition governments in at least two others, Rajasthan and Gujerat.

The expected success of the BJP follows its surge in the November general elections. Then, it boosted its representation in parliament from two seats to 88 after campaigning strongly on a platform of Hindu fundamentalism.

Though it supports the administration of Prime Minister V P Singh without being a partner in it, it is expected to join the government after the latest polls. It is expected to have increasing influence over policy, particularly on such issues as the Punjab, Kashmir and Pakistan.

In all eight states – which also include Bihar, Maharashtra, Orissa and Arunchal Pradesh – Congress governments have been in power for the last five years.

Congress expects the trend that threw it out of power in November's general election to be repeated in the state elections. The only two possible exceptions are Bihar, the second largest state in the Hindi belt, and Maharashtra on the west coast.

Apart from confirming the BJP's strength, the state elections will also decide the fate of Mr Rajiv Gandhi, the former prime minister, and determine Mr Singh's leeway in broadening his administration.

If Mr Gandhi can improve on the party's November performance in Bihar, he seems likely to retain his posts as party president and leader of the parliamentary party in spite of recent defections from Congress.

Though Mr Singh has himself increasingly come to dominate the government in its three months in power, his northern-based Janata Dal party is expected to do only moderately well in the polls.

The Janata Dal is the victim of internal feuds and poor organisation. It is likely to capture only one state, Orissa, while forming coalition governments with the BJP in others.

The weaker its performance, the greater its likely dependence on the Hindu radical party and the more prone it will be to further splits.

Much uncertainty remains about the results, however, because of the large number of independent and dissident candidates. In Bihar 6,631 candidates are contesting 324 seats and in Maharashtra, of which Bombay is the capital, 3,764 candidates are contesting 288 seats.

In contrast to the general election, Janata Dal, the BJP and leftist parties have failed in most cases to agree on a common candidate against Congress. The multi-cornered fights are seen as generally favouring Congress.

Foreign debt worries Australia

By Chris Sherwell in Sydney

THE Reserve Bank of Australia, the country's central bank, yesterday acknowledged that it was worried about the country's increasing burden of servicing its A$110bn (£49bn) in net foreign debt.

In his first formal speech on the subject, Mr Bernie Fraser, the new Reserve Bank Governor, said it was a "concern" that, with the non-interest current account in deficit, this servicing was "only achieved through further borrowing, causing the debt to feed on itself."

He was speaking to the Australian Society of Accountants at a time of rising public interest on the debt issue: apart from the current election campaign, in which the economy is the major issue, the Business Council of Australia, a group of chief executives, has convened a "debt summit" for later this week.

Mr Fraser acknowledged it made sense for Australia to fund profitable investment opportunities beyond its own savings capacity through foreign borrowings – the "good" aspect of Australia's chronic current account deficits.

But he also said there were also "bad" aspects, related to the country's sheer volume and growth of foreign borrowing and to the quality of the investments this had funded.

He suggested there had been over-investment in some sectors, such as city office space, and that, when it came to Australia's capacity to service its debt, insufficient investment had occurred in the "tradeables" sector and some foreign acquisitions had failed to provide adequate returns.

Given the growth in foreign borrowing – which has seen Australia's net debt rise from A$6.9bn in June 1980 to the current A$110bn level – Mr Fraser said it was hardly surprising that some investments had failed while others had been of poor quality.

"In such cases, borrowers will pay for their mistakes as will some lenders," he said. But that in turn could mean "foreign bankers who had had their fingers badly burned in the process will be more wary (and seek higher risk premiums) before they back any runner from the same stable in future."

The only way Australia could service its foreign liabilities without suffering decreases in living standards, he insisted, was by creating a more productive and competitive economy.

Progress on such microeconomic reform was being made "but much more needs to be done."

Labor turns a deaf ear to Liberals' plea over Elliott

By Chris Sherwell

THE Australian Government, in the form of Mr Lionel Bowen, deputy prime minister and attorney-general, refused again yesterday to confirm or deny whether the National Crime Authority was investigating the affairs of Mr John Elliott and his takeover of Elders IXL.

The Government faced demands for clarification from Mr Elliott, leaders of the opposition Liberal Party and the Business Council of Australia. All are pressing to know whether last week's reports of the investigation are true and, if so, what the relevant allegations are.

Mr Elliott is president of the Liberal Party. The controversial reports about him surfaced in a television programme during the first week of the Liberals' campaign to dislodge the ruling Labor Party in the March 24 general election.

According to one of the country's best-known commentators yesterday, to have the words "crime" and "Elliott" in one sentence dominating the media during an election campaign "has to be one of the all-time dirty tricks of Australian politics."

Mr Bowen yesterday adopted the same position as Mr Bob Hawke, the prime minister, who has already refused to confirm or deny the report. The argument is that to do so would break precedent and undermine the National Crime Authority.

Mr Bowen also insisted suggestions that the Authority had in some way overstepped the mark or was not accountable were unjustified.

Mr Elliott has denied any wrongdoing, as have other Elders directors.

Japanese banks exact high price for loans to China

JAPANESE banks took a step closer to resuming direct lending to China yesterday, suspended since the massacre in Peking last June 4, Our Foreign Staff reports. However, interest rates are likely to be much higher, reflecting anxiety over China's political and economic stability.

Four leading banks – the Industrial Bank of Japan, Sumitomo Bank, Sanwa Bank and Dai-Ichi Kangyo Bank – have committed themselves to a small syndicated loan of around $30m to the China International Iron and Steel Investment Corporation (CIS).

The eight-year loan is said to carry an interest rate spread of between 75 to 100 basis points over Libor (London inter-bank offer rate). While the loan qualifies for tax exemption and the rate will be much lower after that, it compares with 25 to 37.5 basis points on eight-year tax free loans before exemption in 1988 and Libor flat in 1987, according to bankers in the British territory. "It's a really big surge in China's borrowing cost," said one.

The Industrial Bank of Japan was originally arranging the loan, but when discussion were resumed on the loan at the beginning of 1990 the role went to CCIC Finance, a joint venture between the Bank of China, China Resources (Holdings), First National Bank of Chicago and Industrial Bank of Japan.

Journalist's murder jolts Sri Lanka

By Mervyn De Silva in Colombo

THE unsolved murder of a young journalist, Mr Richard de Zoysa, has changed Sri Lanka's political climate. It has galvanised a dispirited opposition, jolted the English-educated middle class and forced the Government on to the defensive on human rights.

The state-owned Daily News surprised its readers yesterday by publishing a front page protest by the International Press Institute to President Ranasinge Premadasa saying the de Zoysa family "suspected the gunmen were members of the security forces."

The newspaper was bowing to public pressure over the affair. Reports have alleged that six men led by a man in police uniform knocked on Mr de Zoysa's door at 3am and dragged him away. His bullet-riddled body was found on a beach the next day.

Mrs Sirimavo Bandaranaike, the opposition leader, has called nine political parties to a human rights conference today. "The real culprit is not so much the army but the vigilante groups controlled by prominent politicians."

There were cries of "Shame" when parliament debated the monthly extension of the island's state of emergency. The defence secretary has denied any army involvement in the murder and senior officers are disturbed by the allegations against security forces.

"Mr de Zoysa was not only an able journalist and a radio and television personality but he also wrote on human rights for the foreign press. Perhaps that was his real crime," Mrs Bandaranaike said. He worked for the Rome-based Inter-Press Service and was to have taken up a Lisbon post next month.

Mr Sunil de Silva, the attorney-general, addressed the UN Human Rights Commission in Geneva last week. Sri Lanka's aid donors, particularly the Scandinavians and the West Europeans, have been pressing the Government for greater concern for human rights.

Mr Ranjan Wijeratne, Foreign Minister, has suggested the killing was timed for the Geneva meeting by the Government's opponents.

AST: Ten Years Of Achievement

Founded in 1980, AST Research was one of the first companies to offer expansion boards to increase the power and functionality of the IBM PC. One of their first products, SixPakPlus, was to become the largest selling enhancement board in history, and is still one of the most popular products of its kind today. But that was only the opening chapter in AST's rise to becoming one of the world's most respected makers of microcomputers and related products.

The early days of enhancing IBM's open architecture PCs provided a strong foundation for AST to apply its expertise. And in late 1986, they introduced the ultimate enhancement — their first computer, the AST Premium/286. Building on an excellent reputation for hardware and software compatibility, quality and reliability, the Premium/286 was a runaway success with both industry experts and customers.

Able to build on a strong multiple channel distribution strategy put in place for the earlier board-level products, AST computers were soon being marketed through a variety of channels throughout the world including major chains, independent dealers, value added resellers (VARs), large distributors, OEMs and U.S. government (GSA) approved dealers. Now, AST computers are found on desktops in businesses everywhere — from the very small to over 60% of the nation's largest — and in government agencies.

Today, AST offer a full family of computers — one for every performance and price range, for a variety of business and personal applications — from the entry-level Bravo/286 and Bravo/386SX to the high-performance Premium 386 and i486 based systems. They also continue the tradition of enhancing systems by offering award-winning memory, multifunction and graphics products, and provide for customers' connectivity needs with LAN, 5250 and 3270 products.

A cornerstone of AST's technological leadership is the growing popularity of the patent-pending Cupid-32 (Completely Universal Processor, I/O Design) architecture. This technology separates components according to whether or not they are likely to change as microprocessors advance. All hardware that is dependent on the type and speed of the processor, including the microprocessor, cache memory and numeric coprocessor are located on a plug-in, printed circuit board.

As a result, customers can avoid desktop obsolescence by upgrading AST's Cupid-32 Premium computers to the next level of performance by simply replacing a board. Upgrades can be completed in a matter of minutes, and can be accomplished throughout the Premium product line, from 386SX to i486-based products and beyond.

The underlying flexibility of Cupid-32 technology also allows AST to respond to changing market conditions with a very rapid product development cycle. In fact, AST was the first company to announce shipments of ISA i486 computers based upon Intel's production release version microprocessor.

AST's corporate headquarters are in Irvine, California but they are truly a worldwide company, marketing products in more than 77 countries. They also build them around the world, and design them to fit international requirements — AST manufacturing facilities are located in the United States, Hong Kong, Europe and Taiwan and AST support them wherever they are installed with offices established throughout the U.S., Europe and in Canada and wholly owned subsidiaries in the United Kingdom, France, Germany, Switzerland, Italy, Hong Kong, Taiwan, Australia and Japan.

Over 2,000 employees are dedicated to delivering the highest quality desktop computers and related products. It's a commitment that begins long before the products reach the desktop. And it's demonstrated in every area of the company.

AST's engineering and marketing teams work closely together to design innovative products answering the needs of the marketplace. Starting at board level design, AST uses CAD/CAM and surface mount technology to reduce component size and product cost. ASIC (Application Specific Integrated Circuits) technology is another key strategic asset allowing AST to remain a leader in product development. With ASIC, AST can envisage and create custom products that provide exceptional value and ease of upgradeability.

AST's commitment to quality is second to none, and it allows them to boast one of the lowest return rates in the industry. Thorough examination and testing are prevalent throughout the entire manufacturing process, including a complete burn-in process for every computer. Reliability labs, agency compliance testing (FCC, UL, CSA, VDE, etc.), product safety labs and compatibility labs also ensure quality. A few of their commitments to compatibility include unique enhancements to BUS technology allowing faster operation and selectable CPU speeds for strict software compatibility.

AST are dedicated to their customers. AST's Product Support Centres are staffed by fully trained technical support teams available to answer any question by telephone as well as 24-hour on-line electronic systems which provide a variety of information, including free software upgrades. Should an AST product ever need repair, service centres and optional on-site service is available throughout the world.

With so many great products, dedicated employees and strong resellers, AST's future never looked better.

A LEGACY OF AWARD-WINNING PRODUCTS

1983

- *AST's first memory/multifunction board, ComboPlus™, earns two first-place titles in the PC "World Class" Competition.*

1984

- *SixPakPlus® ranks No. 1 on the Softsel Hot List for the first time. It would remain on the hot list for most of the next five years. It becomes the standard against which all multifunction boards are compared.*
- *SixPakPlus named the favourite memory/multifunction by PC World readers in its "World Class" competition. Readers would choose it again for the next five years. SuperDrive chosen top disk emulator.*

1985

- *Rampage!® selected the "Most Significant Product Of 1985" by PC Week.*
- *AST's LAN product ranked among top six by PC World.*

1986

- *Rampage! rated excellent in five categories and earns top score by The Journal of Corporate Computing.*
- *Computer Reseller News names AST top add-in board supplier.*

1987

- *AST Premium/286 awarded Editor's Choice by PC Magazine.*
- *"The Best Of 1987" award is presented to AST for the Premium/286 by PC Magazine.*

1988

- *Premium/286 merits PC Digest's top rating, and is the only system to earn overall rating of excellent.*
- *LAN Magazine recognises the AST Premium Workstation/286 for its sleek design.*
- *Premium/386 named top-ranked 386 system by InfoWorld.*
- *AST picks up Reader's Choice awards in six categories of PC World's "World Class" competition — AST Premium/286, SixPakPlus, Rampage-AT, Advantage® Premium and SikPak-Premium with the Premium/386 voted one of the most promising newcomers.*
- *AST rated number one in technical support in PC Week survey.*

1989

- *RampagePlus 286 voted best EMS 4.0 board and wins "Product Of The Year" award from InfoWorld.*
- *Byte magazine gives AST an award of excellence for its work with EISA.*
- *AST Premium 386/25 earns the highest score for 32-bit memory upgrade in PC Week "Scoreboard."*
- *InfoWorld magazine gives the AST Premium 386/33 its "Best in its Class" distinction.*
- *Government Computer News readers select the AST Premium/286 as their top choice.*
- *PC World selects the AST Premium 386/33 at its "Best Buy".*

1990

- *AST Premium 386SX/16 earns the PC Magazine Editor's Choice award.*
- *The German publication, Computer Persönlich, reviews the AST Premium 386SX/16, ranking it number one.*

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OVERSEAS NEWS

ANC leader talks of real prize on S African table

Patti Waldmeir interviews Joe Slovo

ONE OF the most implacable foes of the South African Government, Mr Joe Slovo, a top official of the African National Congress (ANC) and one of its chief economic thinkers, believes Pretoria would concede majority rule tomorrow if it could guarantee that white economic privilege would survive the end of apartheid.

For when common ground has been found on all the political issues which divide the two South Africas – a lengthy process in itself – the hardest bargaining is likely to focus on the economic structure of a post-apartheid South Africa.

The National Party, and some black leaders such as the Zulu Chief Mangosuthu Buthelezi, will wish to see free enterprise capitalism perpetuated in South Africa; while the ANC makes clear it is seeking a transformation of its economic relations. The most senior ANC official and the lowliest teenage guerrilla agree on this point: there can be no political liberation without economic liberation.

In an interview with the Financial Times in Lusaka, the headquarters of the ANC in exile and one of Africa's most economically degenerate capitals, Mr Slovo outlined the twin objectives of the organisation's economic policy: to bring about a redistribution of wealth while ensuring that the economy "serves the purpose of every economy, that it provides for the needs of the people.

"When the transformation comes, we can't just bake slogans, we've got to bake bread," he says.

Mr Slovo, 63, is one of two white members of the 35-member national executive committee of the ANC. As general secretary of the South African *Communist Party (a close ANC* affiliate) and a former commander of the ANC military wing, Umkhonto we Sizwe (Spear of the Nation), Mr Slovo occupies a powerful position within the ANC hierarchy.

He is at one with other ANC leaders in insisting that the fundamental aim of economic policy must be the redistribution of wealth. "We can't say to our constituency, 'we've battled all this time, and now we're going to leave everything to those who have dominated the whole while'," says Mr Slovo.

When pressed for specifics on the mechanism of redistribution, Mr Slovo says the movement is still working out its policy. True, the ANC has had 30 years in exile to contemplate the economy of a future South Africa. But the ANC leader pleads that the demands of the liberation struggle have meant "we've had to devote *the bulk of our energies to getting* there, and not to what we're going to do when we arrive."

Mr Slovo is, however, willing to be categorical on one point: nationalisation is not the fundamental policy of the ANC. "The ANC has made clear its acceptance of the co-existence of different forms of property: state, private, mixed, perhaps collective." It envisages a mixed economy.

That does not mean that no industry will be nationalised; indeed, some probably will, Mr Slovo says.

But he is at pains to point out that the 1955 Freedom Charter – the ANC's basic policy document – does not use the word nationalisation. Its formula is that "the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole."

Nationalisation – if that is defined as the transfer of legal ownership to the state – "does not in itself lead to the kind of transformation we are seeking," argues Mr Slovo.

Mr Slovo seems eager to allay anxiety provoked in business circles about nationalisation: "The narrow issue of nationalisation is a bit of a red herring," he says. "The image conjured up is one of sudden 100 per cent takeover by the state, without the involvement of other sectors of capital."

But what Mr Slovo envisages is, it might be argued, more radical than the nationalisation of a handful of industries. "To me the more important question is one of control, not ownership," he argues. "The question is whether a particular sector is run purely in the interests of profit, or in the interests of people."

The mines, banks, monopoly industries, other sectors of the economy too "have got to be taken under public control, which I distinguish from state control, which in the socialist world has been a bureaucratic concept which has not led to effective public control," he says.

Public control means "effective participation through democratic mechanisms of democratic representatives of the people, the producers themselves, and other participants."

Asked whether this was not the type of economic system which had been rejected in eastern Europe, Mr Slovo replies that the "right kind" of public control had never been achieved in socialist countries. "The concept of public control cannot be jettisoned merely because there have been bad forms of public control."

The basic economic lesson of eastern Europe, he concludes, is that "if *you are going to build socialism* you must go beyond mere state planning and control; you must have democratic participation of producers at all levels."

Building socialism is not, however, the immediate goal of the ANC, Mr Slovo says. "The economy of South Africa the day after the ANC flag flies over the Union Buildings in Pretoria will be exactly the same as the day before," he asserts. "You can't transform it by edict without risking economic collapse."

The transition will be phased, and though social dislocation is inevitable, everything will be done to ensure it is minimised and white skills are retained. Foreign capital will remain crucial to development, and guarantees of stability and security will be offered to ensure investors do not avoid South Africa.

How this can be achieved *remains unclear. But Mr Slovo* insists the ANC is willing to be flexible. Indeed, the principles he outlines may not even be acceptable within the executive itself, which includes more conservative figures as well as Communist Party members.

But the influence of communists within the executive is none the less strong; and in the townships of South Africa, where capitalism is equated with apartheid and Joe Slovo is a name to conjure with, the battle against economic privilege is not going to be abandoned easily.

Mr Slovo reckons there are thousands of potential Communist Party members in the country. They are not all "fully-fledged Marxist philosophers," he says; but they do seem persuaded of what he argues is the "inherent moral superiority" of socialism. And that, National Party officials say, is what they fear most about black majority rule.

Gavin Relly, chairman of Anglo American Corporation of South Africa, met Nelson Mandela at the African National Congress leader's home in Soweto yesterday. After the meeting Mr Relly *said there was no need for* investors to panic over the ANC's declared policy of nationalisation. Mr Mandela arrives in Lusaka today to start five days of talks with ANC leaders. He will meet heads of the front-line states and Commonwealth representatives *on his first trip abroad* since his February 11 release.

AMERICAN NEWS

Lady inherits the keys of a tropical ruin

Andrew Marshall assesses the Nicaraguan economy in the electoral aftermath

MRS VIOLETA Barrios de Chamorro, the victor in the Nicaraguan presidential election, inherits a poisoned chalice. The country's economy is in ruins, the product of 10 years of war against the US-backed Contras and a US economic blockade, combined with economic mismanagement.

The idealistic vision of the left-wing Sandinistas, who deposed the Somoza dictatorship in 1979, has had little relation to reality. A study in the New York Times last year painted a bleak picture: consumption has fallen by 70 per cent in the last decade, and annual per capita income is down to just $300, lower than Haiti, making Nicaragua the poorest country in the western Hemisphere, poorer still than Haiti.

The study predicted that GDP, which shrank by 8 per cent in 1988, would fall by at least as much last year. According to the Inter-American Development Bank, per capita income fell by 11.1 per cent in 1988 alone – the second largest fall in Latin America. Any hope that the Sandinistas could alleviate the poverty suffered by most Nicaraguans is all but gone, and this was a central factor in their electoral downfall.

The war against the US-backed Contras since 1982 has cost an estimated $12bn. It has disrupted agricultural production, destroyed infrastructure, and necessitated high spending on defence, which accounts for perhaps half of all state expenditure.

US economic sanctions have also cost Nicaragua dear. US aid was terminated in 1981, and a trade embargo was imposed in May 1985. This resulted in a decline in exports from $63m in 1984 to $1.3m in 1987, and imports fell from $123m to $3.7m, causing a severe shortage of spare parts for US equipment. The US has also lent on potential Western aid donors.

Other external factors, which have damaged the economies of all third world countries in the 1980s, have also taken their toll, including low commodity prices. The result has been a series of trade deficits, as exports have stagnated or fallen, and imports have continued to rise.

President Daniel Ortega said that exports rose from $230m in 1988 to $298m last year, and imports dropped from $807m in 1988 to $711m last year. The country is in "passive default" on its debts, and has accumulated a total debt which, at the end of 1988, stood at $8.1bn.

Nicaragua has survived by dint of aid from the Soviet bloc and Cuba, and some from a few northern European countries. The Soviet Union, main benefactor, provided at least $8bn in military and economic aid in the past 10 years. But President Mikhail Gorbachev had problems of his own and has made clear that Nicaragua would be expected to look after itself.

The economy's problems are not all external: the Sandinistas' own attempts to impose their will on the economy have taken a toll. They began with a broadly Marxist approach, nationalising foreign trade, expanding health care and schooling, and extending the state into nearly every public activity. They resettled about 100,000 farmers, some of them forcibly, and put 40 per cent of farmland under state or co-operative control.

This has gradually been reversed, under external and domestic pressure. Last year – faced with war damage totaling $12bn, $800m in losses from Hurricane Joan and a continuing US trade embargo – the government laid off 30,000 public employees, slashed its budget by nearly half and returned to a free market. Through the austerity programme, inflation has begun to come down, from 33,600 per cent in 1988 to an annual rate of 1,689 per cent last year, but the currency had to be devalued 36 times in 1989.

The cost to industry of hyper-inflation, recession and a shortage of investment has been severe, and manufacturing activity has contracted.

The country's grinding poverty, over-regulation and error-riddled administration have led to a continuing outflow of Nicaraguans, particularly those who have skills or education. *It is estimated* that as many as 200,000 out of a population of 3m became economic refugees, and there are perhaps another 75,000 political refugees.

The result has been to undercut the Sandinistas' early social policy successes, such as their illiteracy and health campaigns. *Many of the doctors* and teachers are now driving cabs in Los Angeles, New York or Miami. The Sandinistas, recognising that emigration was a safety valve, have not interfered with the exodus; Mrs Chamorro must now hope that it reverses.

Another challenge for the UNO alliance which is about to govern will be to resolve the problems of the agricultural sector, which accounts for 10 per cent of GDP and the majority of exports. The Sandinistas carried out a broad programme of land redistribution, breaking up the large farms owned by rich families under the Somozas and giving the land to co-operatives or squatters. There will now be pressure for returning the land to those from whom it was expropriated.

The impact of the war, shortages of labour and imported components have contributed to a stagnation of agricultural production. Last year's credit squeeze put many small farmers out of business. The output of cotton is half of what it was 10 years ago. Coffee production is three-quarters of 1980 levels.

There are some favourable factors stemming from the UNO victory. It should bring about a quick end to lingering hostilities between the government and the US-backed Contras, allowing a significant cut in military expenditure. US economic sanctions should also end, as should pressure from Washington on bilateral and multilateral donors not to assist Managua.

Mrs Chamorro will get a better reception when she goes looking for aid than did Mr Ortega. He met 16 potential European aid donors in Stockholm last year, and said Nicaragua needed $250m in aid for 1989 alone. He left Sweden with only $50m. Mrs Margaret *Thatcher, UK Prime Minister,* sent him packing with little more than a flea in his ear.

UNO says that prospects are good for attracting $400m in immediate US investments, most of it in agribusiness and traditional export staples such as beef, coffee, bananas and cotton. Assuming that the US lifts its embargo on Nicaraguan exports, exports of coffee and fish could also recover.

But this alone will not deliver up Nicaragua from the depths to which it has sunk. Large-scale reforms will be necessary, reversing the Sandinistas' policies in some areas, in *others continuing* the reforms which they had begun to institute. But cutting spending, reversing land redistribution and privatising will all be highly controversial.

Mrs Chamorro must undo a decade's work. The price will be high, and much depends upon how much external aid can cushion the blow. But even allowing for this, she is likely to find that winning a political victory was not even half the battle.

NICARAGUA'S ECONOMY

	1985	1986	1987	1988
ECONOMY				
GDP at current prices Cbn	115.4	435.7	2389.5	100,430
Real GDP growth (%)	-4.1	0.6	1.7	-8.0
Consumer price increase (%)	220	681	912	10,205
Government spending (%GDP)	48.0	41.4	40.7	-
Government revenues (%GDP)	32.1	32.0	29.9	-
Government deficit (%GDP)	15.8	9.4	10.8	-
TRADE				
Exports $m	301	243	281	213
Coffee $m	120.9	109.6	134.2	-
cotton $m	97.0	45.2	46.4	-
Meat $m	10.9	5.3	12.1	-
Imports $m	830	708	591	915
Current account $m	-857	-788	-720	-730
Exchange rate* C per $	26.5	67.0	70.0	250
Reserves $m	477	268	274	-
DEBT				
Total external debt $bn	5.7	6.2	7.3	7.5
Debt service - interest $m	28	21	12	-
- principal $m	19	11	22	-
Disbursed debt/GNP (%)	171.7	211.4	207.8	-

* Average rate. C21,300 per $ at October 1989

Source: EIU

Chamorro poll victory surpasses Washington's hopes

By Lionel Barber in Washington

THE victory of Mrs Violeta Barrios de Chamorro in the Nicaraguan election has far outstripped the expectations of her supporters in Washington, including the Bush administration.

Faced with a well-organised, well-financed campaign by the incumbent Sandinistas, US officials had begun to reconcile themselves to the prospect, however unpalatable, that President Daniel Ortega would remain in office.

Only last week, Mr James Baker, US Secretary of State, laid down stiff conditions for dealing with an Ortega government, including an end to Sandinista military assistance to leftist guerrillas in El Salvador and an unspecified period of "good behaviour."

The Nicaraguan opposition win scrambles the political equation. It presents the Bush administration with an opportunity to cement a famous democratic victory, much like the political opening offered by Mrs Corazon Aquino's upset election win against President Ferdinand Marcos in 1986.

Then, as now, the initial reaction in Washington was of stunned surprise at the expression of "people power." President George Bush – who found it hard to get worked up about the end of the Berlin Wall – was typically cautious, refusing yesterday to gloat over the defeat of Mr Ortega, a man he once likened to a skunk at a picnic.

Then, as now, Senator Richard Lugar, an influential Republican close to the White House, tried to prod the administration to action. "We must show President-elect Chamorro and Nicaragua that we are prepared to work with them to make certain the sanctions are lifted. I would hope that the Congress and the President will be generous with economic assistance."

Money, of course, remains a scarce commodity given domestic US budgetary constraints and the administration's refusal to countenance raising taxes. Some estimates for a Nicaraguan aid package run as high as $4bn to $5bn, far higher than the $1bn which the US stumped up for Panama after last December's successful invasion.

Yet as Senator Lugar suggested yesterday, the US has a substantial moral obligation to help Nicaragua. For most of the 1980s, the Sandinistas were cast as communist demons in the manichean world of Ronald Reagan. The US sponsored a rebel force known as Con*tras to overthrow the Sandinistas in* Managua; and when they failed, the Reagan administration reluctantly went along with a Central American peace accord which *forced* the Sandinistas to hold elections in return for a halt to outside military aid in the region.

US commitment to regional diplomacy was never more than half-hearted, partly because of the strength of conservatives in Washington who, like Mr Reagan, like to elevate the Contras to "the moral equivalent of the Founding Fathers." Yet Congress never had the stomach for a military solution in Nicaragua (and the Reagan administration's efforts to defy this reality led ultimately to the Iran-Contra arms-for-hostages fiasco).

In February 1989, Mr Bush bowed to the inevitable and sanctioned a deal with Congress which stopped military assistance to the Contra rebels and allowed only humanitarian aid to continue. There were a few protests, but Mr Bush's judgment – and his faith in the election process – now appears to have been vindicated.

The immediate task for the administration is to focus attention on a problem which, until recently, has taken a back seat in the foreign policy theatre. The difficulty, as one White House official noted yesterday, will be to strike a balance between rushing in a *heavy-handed fashion while at the same* time meeting the expectations of the Nicaraguan people who, after all, have cast a vote for US dollars.

If past experience of the Bush administration is any guide, it will look for multi-lateral institutions to lend support to a future US aid package. Central America may be known as America's backyard, but the cash-strapped Yankees feel little shame these days in seeking Japanese and European economic support to support their own foreign policy goals.

A prime example is the Andean aid package to Peru, Bolivia and Colombia, the three Latin American drug-producer countries, where Washington has openly solicited foreign cash. The message is that drug abuse and narcotics is an international rather than purely American problem.

The obvious multilateral avenues are the World Bank and International Monetary Fund, both of which are likely to play a role in a future re-financing package for Nicaragua's delapidated, debt-ridden economy. Nicaragua's arrears to the World Bank amount to $172m, the loans having been placed on a non-accrual basis in May 1984; Managua's arrears to the Inter-American Development Bank total $18.15m, but it has loans outstanding of more than $330m, none of which it has immediate *prospect of repaying.*

In the last resort, however, these are problems which should be overcome. The victory of the Nicaraguan opposition is a victory for President Bush who once again can proclaim that history and the democratic wave is moving the American way. It is a powerful message to the American public.

Damp squib for the Sandinistas

By Tim Coone in Managua

THE EIGHT hours of waiting for the first results from Sunday's polls in Nicaragua, were the longest in the lives of many Nicaraguans.

The Sandinistas had prepared their victory celebration, to be held in a large plaza next to their campaign headquarters. A stage, live *music and tons* of fireworks had been laid on ready for an all-night party. "No expense spared" was the motto, as it had been for the Sandinista electoral campaign.

The main opposition alliance, UNO, had not even planned a public victory celebration. Instead, their cam*paign headquarters*, set up in a restaurant, had tables laid with glasses and snacks for the party leaders and camp followers. It appeared more like the preparation for a wake than a victory.

The first results were expected from the Supreme Electoral Council (CSE) three to four *hours after polling* stations closed at 6 pm. Exit polls had been banned to avoid speculation and possible violence before the announcement of the official results. Only the official observer groups had been been given authorisation to enter the polling stations during the count and to gather results independently of the CSE and the political parties. All were prohibited from releasing their counts before those of the CSE.

Party officials in both camps paced the floors nervously. The hours dragged on. By 10 o'clock no results had been announced. Rumours began to circulate. Something had gone contrary to expectations. In the Sandinista camp, the usually ebullient campaign manager, Mr Dionisio Marenco, looked withdrawn and as though he was the carrier of bad news. He said only "The music will start later."

Some journalists had been able to get results from a few polling stations in the capital. Diplomats had done the same elsewhere in the country. All showed the least-expected result – a landslide victory for UNO. By midnight, Mr Danilo Lacayo, press spokesman for the UNO campaign, said that they had most of their voting returns in from the capital "I cannot tell you the result yet, but I can tell you we are very, very happy".

Mrs Chamorro was still at home, holding discussions with the heads of the various observer groups. Their mission was apparently to try to persuade her not to call people onto the streets to celebrate for fear of provoking violence. She acceded.

Shortly before 2 am, Dr Mariano Fiallos, the president of the CSE, appeared on television looking shaken. Emphasising that what he was about *to announce were only partial* results, he pronounced what had already become clear – UNO had a significant lead.

Driving home in the early hours of the morning, the fireworks being fired into the air came not from the plaza, but from people's homes.

Aylwin on Argentine visit today

By Leslie Crawford in *Santiago*

MR PATRICIO Aylwin, Chile's president-elect, travels today to Argentina to initiate the incoming government's foreign policy.

Relations between the two countries have never been easy. In the late 1970s, the *junta in Buenos Aires almost* declared war on Chile over some Beagle Channel islands. The dispute was resolved in 1984 in Chile's favour.

Argentina has adopted a more humble tone as its economy flounders while Chile's advances. "Economic integration with Chile is our government's top foreign policy aim," Argentina's ambassador in Santiago, Mr Oscar Spinosa, says.

Mr Aylwin will not sign any economic pacts during his Buenos Aires visit. But he will discuss joint projects, such as a 300-mile gas pipeline from San Rafael, Argentina, to Santiago. Technical studies are ready, and finance and supply contracts must now be discussed.

Argentina would like to develop the port of Caldera, northern Chile, as an outlet for its exports. Chile wants Argentina to cut import tariffs. The trade balance between them is $300m (£176m) in Argentina's favour.

Mr Aylwin's trip starts a drive to boost Chile's image abroad under the incoming democratic government. Mr Enrique Silva Cimma, Foreign Minister-to-be, says Chile will renew diplomatic relations with eastern European countries – almost certainly with Moscow – on March 11. Diplo*matic links with Mexico will be* restored soon after.

Colombia seeks to open economy

By Sarita Kendall in Bogotá

THE Colombian government has taken the first step towards changing the country's economic model and opening the way to greater international competition. Import licences will no longer be required for 861 items (mainly raw materials and capital goods), while consumer goods such as food and clothing have been taken off the restricted list.

The new import packages form part of a five year plan approved by the National Council for Economic and Social Policy (COMPES). Over the next two years import controls will be lifted and tariffs, rather than licences, will provide protection for domestic production. In the second *phase of the plan tariffs will be* reduced gradually, exposing Colombian industry to greater competition.

Although the plan has been under discussion for some time, the decision to launch it in the last six months of President Virgilio Barco's government caused some surprise. Presidential candidates were critical of the timing rather than the content – the need to move away from the heavily protected import substitution model in order to achieve higher growth rates is widely accepted.

However, the industrial and agricultural lobbies say the measures adopted are simplistic and do not include enough support for raising productivity.

Protectionism has fostered inefficiency and unreasonably high prices, according to the economic authorities. The Government wll help Colombian companies to sell abroad by improving roads, airports and sports facilities, as well as keeping up a relatively fast devaluation rate. There will also be funds for modernising industry.

The increase in imports will lead international reserves to drop by $300m over the 1990-91 period, said Mr Fernando Alarcón, Finance Minister. But after this, as the measures take effect and exports become more competitive, reserves should rise by about $380m a year. Economic growth, now stagnating at about 3 per cent, will increase to between 4 and 5 per cent after 1992.

Reuter adds: The group of Colombian drug lords known as the Extraditables called on President Barco on Monday to draw up an "adequate mechanism" that would allow its members to surrender.

The group, widely identified with the chieftains of the Medellín cocaine cartel, said in a statement published in El Tiempo newspaper that it was also willing to draw up a complete national and international list of property used in drug trafficking.

The statement said the Extraditables had proven their willingness for peace by suspending a violent anti-government campaign January 17.

"We hoped that the government, through one or more persons or an adequate mechanism, would implement the process of our surrender," said the statement, addressed to a group of influential figures.

Quebec warns over Meech Lake accord

By Bernard Simon in Toronto

QUEBEC'S ruling Liberal Party has raised the temperature in the debate on Canada's constitutional future by warning of the serious consequences which would result from rejection of the controversial Meech Lake accord.

The party agreed at a meeting of its general council in Quebec City to set up a committee to examine the alternatives for Canada's only mainly French-speaking province if the Meech Lake agreement is not approved by the other *provinces within the next four* months.

Diplomat Santos Goni raises the Argentine flag yesterday over his county's *diplomatic* mission in London for the first time since the Falklands war, now relations with Britain are restored

US to boost 'long-term thinking'

By Peter Riddell, US Editor, in Washington

THE US Treasury is considering changes in tax and securities laws to encourage shareholders and management to work more closely together to promote longer-term thinking in companies.

Ideas under consideration include incentives for companies to pay executives in stock and a requirement for secret ballots in shareholder votes, as well as changes in federal laws governing pension funds to assist a longer-term view by their managers.

This is in addition to the far-reaching study on integration of corporate and personal tax systems which the Treasury intends to publish in spring. This will focus on ways to end the present double taxation of dividends.

Mr Nicholas Brady, US Treasury Secretary, recently attacked short-term thinking and trading by pension funds and other investors. He argued that it was "too easy to feel that shareholders are just too impatient and won't let corporate management focus on down the road."

Instead, he argued in favour of partnership between shareholders and management in achieving a corporation's long-term goals, which might greatly reduce the pressure for hostile takeovers. He said the Treasury was examining proposals to "encourage both executives and institutional investors to think longer term."

Under consideration are tax incentives so that payments to executives could be made in stock which would be treated as an expense against the corporation's tax bill.

Developing world says global trade talks in jeopardy

By William Dullforce in Geneva

THE *multilateral talks on* liberalising global trade could soon be jeopardised if the developed countries fail to negotiate seriously on crucial Third World interests, the developing countries warned yesterday.

In a joint statement issued only nine months before the end of the Uruguay Round negotiations under the aegis of the General Agreement on Tariffs and Trade (Gatt), the developing countries called on the big trading powers to recognise the gravity of the situation.

In their complaint, they saw a lack of political will to integrate trade in textiles and farm products fully into Gatt.

In tropical products and natural resources, talks on procedure had been substituted for substance, they claimed.

Proposals to allow selective safeguard action against abrupt surges of imports, and enlarge the scope of anti-dumping measures – both part of the *European Community's programme* – were coupled with proposals in "new" Gatt areas such as services and intellectual property rights.

These together, the developing countries contended, would deprive them of their existing rights. The time had come, they added, for the developed countries to take crucial political decisions, so that a package of trade concessions could be visualised by the summer.

"We need to know where we are by July, if we are to be able to evaluate the outcome and finalise a package at the (trade ministers') meeting in Brussels in December," Mr Leopoldo Tettamanti, head of the Argentine delegation, declared.

At the same time, Mr Julio Lacarte, Uruguay's ambassador, said vague assurances that everything would come right were not good enough. The developing countries would continue to negotiate in good faith but were making a political statement about *their* doubts.

Indonesia seeks re-tender on $300m phone contract

INDONESIA is seeking re-tender on a $300m (£176m) *telecoms contract – subject of* a trade dispute between the US and Japan, John Murray Brown reports from Jakarta.

The move is seen as a bid to avoid more controversy after US complaints over the tendering process. Mr Moerdiono, the *State Secretary, said yesterday* President Suharto had "decided there is no winner this round. We will have a limited re-tender".

The project, to supply digital switching equipment for public exchanges, is one of the developing world's most important telecoms contracts, and could produce $2bn in repeat orders. After five bids in September, Indonesia said the field had been narrowed to AT&T of the US, and NEC of Japan. Fujitsu, Alcatel, the European consortium, and L M Ericsson, the Australian unit of the Swedish company, rejoin the race.

This month, President Bush wrote to complain to President *Suharto on behalf of the US* company. The US fears Japan is using its $2bn annual aid to Indonesia to back NEC's bid. *Nations in the Paris-based* OECD have discussed rules on use of aid to subsidise exports to developing countries. Any *such practice is seen to distort* trade.

● Robert Gibbens reports from Montreal: Canada has *told Thailand it no longer* insists on an official Thai guarantee for a C$310m (£147m) interest-free loan for the $2.3bn transport *system Lavalin and* Mitsubishi want to build in Bangkok.

Lavalin said this cleared the way for completing long-term financing talks. "We hope the Thais will now fully commit themselves to our group". The Thai Government is to hold 25 per cent equity in the 27-km system.

Aircraft makers vie for Turkish airline deal worth $600m

By Jim Bodgener in Ankara

A CONTRACT valued at around $600m for at least six long-haul, wide-bodied aircraft is expected to be awarded soon by the state flag carrier Turk Hava Yollari (Turkish Airlines – THY) to one of three major manufacturers.

Fiercely competing front-runners for the contract are McDonnell Douglas of the US with its MD-11 and Airbus, the European aircraft consortium, with its A-340 version, while Boeing with its 747-400 follows, say industry sources.

Financing terms will be critical, however, since THY is already carrying a considerable burden from its purchase in the 1980s of 13 Airbuses with another to follow next year.

For the last three Airbuses, THY has preferred to enter into leasing arrangements, and for the thirteenth a fiscal as opposed to financial lease, which was arranged by Banque Indosuez.

The long-haul aircraft are part of THY's fleet purchasing *plans. The airline envisages* buying a total of 32 new aircraft by the year 2000, while at the same time selling eight *ageing DC-9s and Boeing 727s.* They are needed to develop routes to the US and the Far East.

*The airline's total seat capac*ity is expected to increase to 8,654 from the present 5,233 over the period.

Payments on outstanding debt, much of it for the purchase of the Airbus fleet, amounted to $149m for the year.

THY recorded a net income of TL10.8bn ($4.6m) on revenues totalling $460m in 1989.

The airline increased the number of its passengers carried by 8.2 per cent to 4.2m during the year compared with 1988, while increasing its available seat capacity by 13.4 per cent.

In addition, it carried 23.3 per cent more cargo, a total of 44,926 tonnes over the period. Concentration on international flights, leaving more internal routes to private feeder airlines is THY's present planning strategy.

Baltic republics look back for inspiration

The economic way forward involves restoring old trade ties, writes John Hiden

COMMERCIAL prospects in the Baltic states should begin to brighten this year as Estonia, Latvia and Lithuania attempt to implement regional self-*management* schemes – especially in the wake of Lithuania's vote at the weekend for independence.

The remarkable aspect is that both the local Communist parties and nationalist groups have co-operated on this. In generally endorsing Baltic plans in November last year for greater economic autonomy, the central government in Moscow is already set to bargain with the Baltic leaders over the details of their proposals.

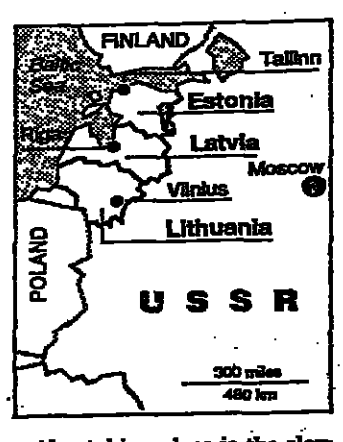
One issue is the extent to which the republican governments can increase their control over the so-called all-Union (Moscow-run) heavy industries situated on Baltic territory, where the immigrant Russian labour force is mainly employed.

There is also the fraught question of separate Baltic currencies. Moscow's insistence on the Soviet state's monopoly *on the issue* of money did not prevent Tallinn from reviving the Bank of Estonia and launching a successful competition for a new design for the currency, named after the pre-war kron.

Here, as often, the Baltic *republics look to the past for* inspiration. No matter that the restored "Bank" of Estonia is more shadow than substance, *that its first president, former* deputy Prime Minister, Rein Otsason, lacks reserves of hard currency and that trade with the Baltic republics still relies heavily on barter. The "command economy" is being slowly chipped away by the changing conduct of economic life. As in the political arena so in the economic, this dynamic will be difficult to arrest.

Indeed, Mr Otsason argued in October last year that the Baltic model was "the only one that can get the country (Soviet Union) as a whole out of its crisis".

Estonia's recent devaluation of the rouble for "non-commercial" operations is certainly in keeping with the harsh decisions needed throughout the Soviet economy. Estonians travelling abroad must now exchange 10 times as many roubles for the same amount of dollars. Estonia's commitment to genuine self-management was underlined by its increased tax in January on *cigarettes* (up 50 per cent) and on beer (up 100 per cent), against Moscow's will.



Also taking place is the slow restoration in the Baltic republics of a long dormant infrastructure supportive of private enterprise. Chambers of commerce in Riga, Tallinn and Vilnius now mediate contacts between western and Baltic companies; specialist agencies, such as Mainorfin in Estonia, offer briefings to foreign business men. Advertisements can be placed, for example in the English version of the Latvian Popular Front newspaper, Atmoda (Awakening) and in Homeland, the supplement to the Estonian weekly Kodumaa.

Foreign enterprise could forge *links with the Baltic* republics in technology information and computerisation, food processing, chemical industries, a wide range of light engineering and metal working activities, woollen and textiles as well as in tourism (hotel construction and transport) and the service sector in general.

Western expertise in tackling Baltic heavy industry's appalling pollution problem is also required. The Virumaa region in north eastern Estonia – damaged by oil-shale mining and huge power stations – has set up a foundation to attract national and foreign help to tackle the problem.

Given the political and environmental constraints surrounding Baltic heavy industry, *small and medium-sized* concerns are most likely to prosper in the long run. Refurbished and modernised *through outside aid, Baltic* companies could produce and export more of the sort of quality goods which will bring in *hard currency. Until then,* even barter can be profitable.

The resuscitation of older trade links with the Baltic *could also provide a supportive* environment. The greatly increased Finnish-Estonian collaboration in joint ventures *during the past few years is* one example. Sweden opened a Tallinn branch of its Leningrad consulate general in November and plans similar offices for Riga and Vilnius. In the same month SAS restored the first regular Stockholm-Tallinn flights since 1940.

West Germany will again play a big role. With Britain, Germany was the major foreign trading partner of the independent Baltic republics. After the Second World War Britain's ties declined but look set to be restored.

The entrepreneurial tradition of the Baltic peoples remains strong – notwithstanding "Sovietisation". During the 1980s, for *example* annual average growth of income per person for the Soviet Union as a whole was 2.8 per cent compared with 3.1 per cent in Latvia, 2.47 per cent in Estonia and 4.4 per cent in Lithuania.

At the same time there is no threat to Soviet President Mikhail Gorbachev from a renaissance of Baltic enterprise. The *optimum economic scenario for* the Baltic republics depends – as in the past – on developing links with the west while *maintaining close economic* relations with the Soviet Union.

Professor Hiden is director of Bradford University's Baltic Research Unit

Tehran to buy four oil tankers from S Korea

By John Ridding in Seoul

IRAN IS to buy four oil tankers *from South Korea and has* agreed several other substantial deals with Korean companies, as part of its post-war *reconstruction, Seoul's Minis*try of Energy and Resources says.

The contract for the tankers, *to be supplied by Daewoo Ship*building and Heavy Machinery, is worth $330m (£194m) and is the biggest single deal between *the two countries. South Korea* and Iran have also agreed in principle that Daewoo Motor Co will build a car assembly *plant in Iran with initial capac*ity of 20,000 sub-compact cars.

The accords came after the third meeting of the Korea-Iran *Joint Economic Commission* in Tehran at the end of last week. Other projects agreed include the *second-phase construction of the Kangan Gas Refinery* by Daelim Industrial, the South Korean construction company, worth about $150m.

Ssangyong, also of South Korea, is to be awarded the $30m contract for building oil storage tanks on Kharg Island. *Iran has also promised to allow* South Korean contractors to bid to complete a $7bn petrochemical complex at Bandar *Khomeini.*

● Karen Fossli reports from Oslo: Bergesen, Norway's leading bulk shipowner, has placed a *$100m order with Hyundai* Heavy Industries to build an ore carrier for delivery in 1992. The US-based General Ore International Corp, a Bergesen partner, is to take a 35 per cent stake in the project.

Finns set to buy fighter jets

FINLAND is on the verge of asking for bids from four fighter aircraft-makers in France, the US, Sweden and later, the Soviet Union to renew its ageing fleet of 60 Mig-21 bis and Swedish J-35 Draken interceptors by 1995, at an *estimated cost of FM10bn* (£1.5bn), Enrique Tessieri reports from Helsinki.

This military purchase by Finland will be the biggest in its 72 years of independence.

In 1992, Finland is expected to decide with which two fighters it plans to renew its fleet, from the Mirage 2000, Mig-29 (or a newer version), General Dynamics F-16, or the Swedish *JAS 39 Gripen, which analysts* say has dropped out of the race.

Under the 1947 Paris Peace *Treaty*, certain *limits* were placed on the size of Finland's standing forces. One rule stipulates that Finland may not purchase bombers, nor should its Air Force exceed 60 aircraft.

Valmet, the state-owned engineering and paper machinery group, which has a small aircraft division, is expected to profit from the purchase, to be financed on a barter basis.

For a neutral country which has to co-exist with a powerful neighbour – the Soviet Union – the choice of fighters Finland will acquire remains crucial, despite political changes there and in eastern Europe. Though *small by European* standards, the purchase is important in a foreign policy context.

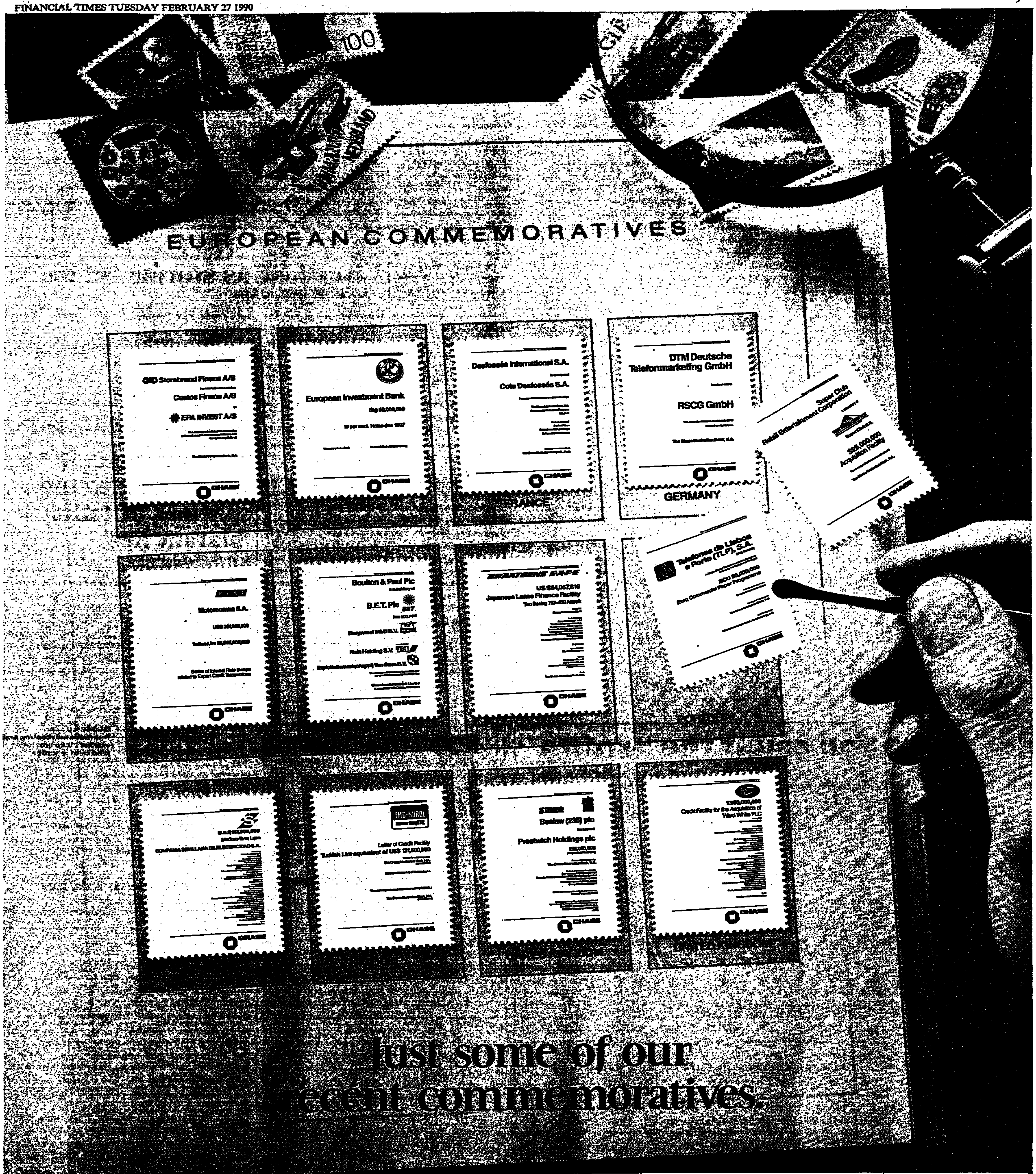
Mr Tomas Ries, an expert on Finland's armed forces, says Finland's neutrality rests on its military determination to defend *itself.*

It is also important for Finland to be able to honour its 41-year-old treaty with the Soviet Union, which obliges each country to come to the other's rescue if attacked "by Germany or any state allied with the latter".

Finland has learned no compromise can be made on the sensitive topics of foreign policy and defence. These have become sacrosanct to the Finns, being rarely brought up *for serious public debate.*

Vice-Adml Jan Klenberg, from next month the new Commander-in-Chief of the Finnish Defence Forces, said: "Finland has a clear obligation to maintain control of her airspace.

The general political and *military situation in Europe is* so sensitive that Finland has no reason to reduce the size of its interceptor/fighter fleet. *Europe would have to change* significantly if Finland would ever embark on such a move."



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UK NEWS

GM unit wins battle over trainee

By Diane Summers, Labour Staff

COMPANIES experiencing skill shortages, high staff turnover and escalating training costs could follow the example of a computing company which yesterday won its battle to make an employee pay back the costs of his training after he left the company.

Electronic Data Systems, the information technology services subsidiary of General Motors, is to receive £4,500 plus interest, from Mr Philip Hubble, a former employee.

Mr Hubble was ordered by the High Court three years ago to repay the money but subsequently won the right to appeal. However, judgement was yesterday entered at the High Court on behalf of EDS.

As a trainee systems engineer, Mr Hubble had signed a "promissory note" agreeing to pay £4,500 if he left the company within three years of receiving training. He left in the first year but refused to pay the sum demanded.

The settlement yesterday makes it less likely that other companies wishing to set up similar schemes would be challenged in the courts. The practice of penalising employees if they leave after training is more common in the US than in the UK.

David Owen foreshadows demise of the SDP

Doubt cast on future of Social Democratic Party

By Philip Stephens, Political Editor

DR DAVID OWEN, the UK's Social Democratic Party leader, yesterday appeared to foreshadow the final demise of his party as a national political force by acknowledging that he may not stand again for parliament at the next general election.

Dr Owen is the last remaining member in parliament of the original "Gang of Four" who led the breakaway from the main opposition Labour Party in 1981 with the aim of "breaking the mould" of British politics.

Since the party's acrimonious break with the former Liberal Party after the 1987 general election, the SDP has seen a slump in its support.

He also raised the intriguing possibility that he could step aside as SDP leader before the election if that would pave the way for a deal with the main opposition Labour Party.

Dr Owen said that he still thought that there was "a real chance" that Labour would agree to an electoral pact with other opposition parties.

He said that he remained convinced that Mr Neil Kinnock, the Labour leader could not defeat the Government alone.

David Owen

In those circumstances even the SDP's modest electoral support – currently put at about 4 per cent – could be crucial in tilting the balance against Mrs Margaret Thatcher. The price the SDP would demand was a clear commitment to proportional representation.

Dr Owen told the Financial Times, however, that he recognised that the the chances of such a deal at present appeared to be "odds against". If that proved the case he would have to consider his own political future.

He added: "I think it is high time that this issue is faced ... We have the totally ludicrous situation of the opposition parties fighting among themselves and allowing the Conservatives to dominate the 1990s as they dominated the 1980s".

By the same token, if the personal "bile" directed at him by his former colleagues in the Labour Party was the principal hindrance to a deal between the two parties then he would be ready to consider his position. "If I am the obstacle, then I can step aside", he said.

The SDP leader said he believed that whatever his role he believed that the party would survive in some form.

His admission, however, that his own political future was undecided was seen by opponents at Westminister as a clear acknowledgment that the SDP's future was now in grave doubt.

Its other two remaining MPs – Ms Rosie Barnes in Greenwich and Mr John Cartwright in Woolwich – both face an uphill task to retain their seats in the general election.

Aerospace faces skills shortage

By Paul Betts, Aerospace Correspondent

A GROWING shortage of scientists and engineers as well as skilled technicians is emerging as one of the most pressing problems facing the future of the British aerospace industry.

The skill shortage coupled with the run-down in research and development spending and the erosion of the industry's competitiveness caused by high inflation, high interest rates and the high value of sterling risk undermining the overall export performance of the UK aerospace sector.

A report released yesterday by the PA Consulting Group for the Society of British Aerospace Companies (SBAC) highlights the concerns of an industry which has made a steady contribution to the UK's balance of payments.

The UK aerospace sector is expected to show a trade surplus of £2.5bn last year compared with a trade surplus of £1.7bn in 1988. But Mr Ivan Yates, the SBAC deputy president and head of engineering at British Aerospace, warned that skill shortages, declining R&D and concerns over the general financial environment were casting showdows over prospects

Blackpool's Promenade, a famous British tourist attraction, is lashed during the gales

Lives lost as storms return

By John Authers and Jimmy Burns

AT LEAST 16 people died yesterday as 80 mph gales buffeted Northern Europe disrupting rail and ferry services, and leaving many homes without power in Britain.

But the storms were not as fierce as the forceful winds of January 25 which took 46 lives, weathermen said. They were caused by another deep depression moving in from the Atlantic, and were by last night moving across Northern Europe.

Deaths were reported in Blackpool, in Lancashire, at Pelsall in the West Midlands, Cowbit, near Spalding, south Lincolnshire, where two were killed, Newbury, Berkshire, Cheriton, Hampshire, Preston, Lancashire, and Wigan, Greater Manchester.

A policeman on patrol was killed in suburban Brussels when a tree crashed on his car, and a worker was killed when the roof of the tourism office collapsed in Damme.

In Ireland, a gust blew a motorcyclist off the road and into a wall, killing him.

At Amsterdam's Schiphol airport, KLM said it suspended 15 international flights as winds approached 75mph. Seven people were injured at a pre-Lenten carnival celebration in the southern town of Beek when a huge tent was blown down.

In the port of Antwerp, a river ship sank after a 15-ton crane dropped on to the vessel, injuring several people. All ships remained in port in Belgium's North Sea harbours.

Flooding hit parts of Devon, Cornwall, Somerset and Blackpool's South Promenade.

GUINNESS TRIAL

Roux accuses top solicitor of telling 'blatant lies'

By Raymond Hughes, Law Courts Correspondent

MR OLIVIER ROUX, a former director of finance at Guinness, yesterday accused Sir David Napley, a leading solicitor, of having told him "blatant lies."

Giving evidence in the Guinness trial at Southwark Crown Court, Mr Roux also alleged that Sir David had leaked to the press a "concocted" statement which he had attributed to Mr Roux.

Mr Roux said that Mr Ernest Saunders, then Guinness's chief executive, had asked him to meet Sir David because Mr Saunders wanted to persuade Mr Roux that Sir David's firm, Kingsley Napley, should replace Freshfields as Guinness' solicitors.

"I was not in agreement with that," Mr Roux said.

He said that at a meeting on December 15 1986, Sir David had told him "some blatant lies."

He alleged that Sir David had told him that Mr Hugh Peppiatt, senior partner at Freshfields, had indicated to Sir David that Freshfields, in reviewing its work for Guinness during the bid for Distillers, had some concern about advice given and that it was perfectly natural that Freshfields should be replaced.

Mr Roux said that he had subsequently spoken to Mr Peppiatt himself "and that was a lie, a complete lie."

Mr Roux was giving evidence for the fifth day in the trial of Mr Saunders, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, a financier.

The four men have pleaded not guilty to 24 counts, including conspiracy, false accounting and theft, arising out of the 1986 takeover battle by Guinness for the Distillers group.

Mr Richard Ferguson, QC, for Mr Saunders, suggested that Mr Roux was attacking Sir David Napley because he knew that Sir David's version of events differed materially from his own.

Mr Roux replied that Sir David had leaked a false, concocted statement about what Mr Roux had told him about the circumstances in which Guinness made an £7.6m interest-free deposit with the Henry Ansbacher merchant bank and Mr Saunders' knowledge of that.

Mr Ferguson: "So according to you this eminent solicitor first made up a false statement?"

Mr Roux: "Yes. Part of the statement was invented."

Mr Ferguson: "And then he falsely attributed this statement to you?"

Mr Roux agreed.

Mr Ferguson: "This is a man who, to your knowledge, was an ex-president of the Law Society?"

Mr Roux: "I know he is a man of eminent standing which is why I was most surprised."

Mr Ferguson suggested that Mr Roux had told Sir David Napley that, after the Distillers bid had been concluded, Mr Roux had learnt that Morgan Grenfell, the merchant bank, through Mr Roger Seelig, had arranged for Ansbacher to purchase Guinness shares during the bid, which Ansbacher was then proposing to sell.

Morgan Grenfell, Mr Ferguson suggested, had taken the view that if the shares were sold then it would depress Guinness's share price in the market.

Mr Roux, who had earlier described the £7.6m deposit as a "quid pro quo" for Ansbacher not selling the Guinness shares at that time, said that had also been his view. He said he remembered telling Sir David Napley that Morgan Grenfell had said that, if Guinness deposited with Ansbacher a sum equivalent to the cost of the shares, Ansbacher would not sell.

Mr Ferguson suggested that Sir David Napley had expressly asked him, in Mr Saunders' presence, if he had discussed the arrangement with Mr Saunders.

Mr Roux replied that he had said he had discussed it with Mr Saunders and that that reply had caused "great anguish" to Mr Saunders.

Mr Ferguson suggested that Mr Roux was trying to detract from Sir David's character to guard against the possibility of Sir David giving evidence against him.

Earlier, Mr Roux had spoken of the tactics to which he said Guinness had been subjected during its bid battle with Argyll for Distillers.

"It was our impression that Argyll were actively persuading people to sell Guinness shares to undermine Guinness's efforts and that what Argyll was doing was to support its own shares – organising the purchase of their own shares, their own support operation."

Mr Ferguson asked him if he was saying that Guinness had been doing nothing more than what Argyll had been doing.

"Is it your evidence that, whatever Guinness did it did as a reaction to the activities of Argyll?" Mr Ferguson asked.

Mr Roux: "My impression was that Guinness needed a support operation to counter what Argyll were doing, rather than the opposite."

Mr Ferguson asked if, when Mr Roux approved invoices and authorised payments of indemnities and success fees to those who had supported the Guinness bid, he had thought there was anything irregular or illegal about them.

No, Mr Roux replied. Had he thought there would be any problem he would have told Mr Saunders of his concern.

Why then, asked Mr Ferguson, had Mr Roux, as he claimed, sought Mr Saunders' approval for the payments?

Because, said Mr Roux, they had been huge payments for which "I sought the approval of my boss."

He agreed he had signed a letter sent by Guinness to the takeover panel stating that the purchaser of a block of 10m Distillers shares put on the market by Warburgs had not been associated with Guinness.

He agreed that that letter had been misleading but said he had not known at the time that Mr Ward had arranged the purchase of the shares.

Mr Ferguson: "You knew it was a very important letter?"

Mr Roux: "Yes."

Mr Ferguson: "What steps did you take to satisfy yourself that the contents were true?"

Mr Roux replied that he assumed that the lawyers had prepared the letter after making proper inquiries and that everything that needed to be checked had been checked.

The trial continues today.

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Christian law should protect Islam, court told

Moslems claim Rushdie book has cost 30 lives

MOSLEMS seeking to take Salman Rushdie to court under the blasphemy laws argued today that Islam was so closely related to Christianity that the laws must apply to both religions, PA reports.

The British Muslim Action Front asked three High Court judges to overrule a magistrate's refusal to issue blasphemy summonses against the author of The Satanic Verses and publishers Viking Penguin because the law related only to the Christian faith.

The Front's counsel, Mr Ali Azhar, said the Jewish faith was in effect protected since any attack on the Old Testament was considered to be an attack on Christianity.

"Islam being so closely related, my question is why cannot the same protection be accorded to the Holy Koran?".

"An attack on the Old Testament or the New Testament or any prophets in those works should be considered to be an attack on the Holy Koran, and the Holy Koran deserves protection."

Jesus Christ was revered as a great prophet by Moslems, he said. Islam accepted that Christ was a direct gift from God through a virgin birth.

Adbal Choudbury

Mr Azhar said Moslems had lived peacefully in Britain for 150 years, but had now gone on to the streets in their thousands in protest at Mr Rushdie's "deeply insulting" book and "to demonstrate their feelings to the British public and to the authorities that something must be done".

Mr Azhar, representing the Front's convenor Mr Abdal Choudhury, told a packed courtroom – which was surrounded by unprecedented security – that 30 people had lost their lives worldwide because of publication of The Satanic Verses.

Eleven died during demonstrations in Bombay, a further eight lost their lives in Lahore. Ten died in Kashmir and one man was killed in Dakar.

Mr Azhar said The Satanic Verses "grossly outraged and deeply insulted the religious feelings of Moslems".

He claimed the book was abusive and insulting not only to Islam, but also to Christianity and Judaism.

Mr Azhar said the magistrate should have taken into account that the Old and New Testaments were both holy books to Moslems.

The judges were handed a chart of all the apostles and prophets described in the Old Testament and in the Koran.

"You can quite clearly see that all the apostles and all the prophets described in the Old Testament and the Koran are one and the same,".

BBC in talks to develop 'intelligent' domestic radio

By Raymond Snoddy

The BBC is in talks with a major international consumer electronics company for a joint venture to produce an "intelligent" domestic radio set which can automatically tune itself to the strongest signal or find a particular type of programme.

The Corporation has been trying for some time to find a manufacturer to produce a special portable domestic radio under the BBC badge for RDS – radio data system.

RDS involves broadcasting inaudible digital information alongside the normal radio signal. The BBC has been broadcasting such information since July 1987 and 17 other European countries also offer RDS on a common standard.

So far only RDS car radios with limited facilities are commercially available. Between 10,000 and 20,000 are estimated to be fitted to cars in the UK. Mr Marmaduke Hussey, chairman of the BBC, is an enthusiastic user of the system.

First generation RDS car radios usually offer a digital station identification, the ability to automatically retune as a car moves from one transmitter area to another and the ability to interrupt a broadcast with local travel news and a very accurate time signal.

Broadcasters can already offer a service capable of push-button selection of nine different categories of speech programmes and six different types of music.

According to Mr Johnny Beering, controller of BBC Radio I, who is responsible for the RDS project, manufacturers are lagging behind the broadcasters. When linked with a cassette an RDS radio would be capable of recording automatically particular programmes.

"I can't understand why manufacturers don't see the potential of RDS," Mr Beerling said yesterday particularly as as the entire European market is available because of the common European specification.

However, the manufacturer now talking to the BBC, which Mr Beerling said he could not name at this stage, is suggesting that domestic RDS radios could be on the market by Christmas.

The aim is to have a joint venture in which the BBC will co-operate technically and will get a licence fee both for that and the use of the BBC name.

Two RDS sets are being envisaged, one at around £50 which would give station identification and push button tuning to the best available signal and the other for around £100 with a more sophisticated range of options.

● STC, the communications and information group, yesterday became the first European manufacturer to sign a deal with British Satellite Broadcasting to manufacture Squarials – flat aerials to pick up satellite television pictures.

STC is to provide an initial 50,000 aerials for its five-channel television service to be launched on April 29.

Bosun's Mate was not a Fisherman's Friend

By Clay Harris, Consumer Industries Editor

HELLO and goodbye, sailor. Fisherman's Friend, the menthol and eucalyptus lozenge with a 125-year Lancashire heritage and a worldwide reputation, has won a swift legal battle against Bosun's Mate, a would-be competitor from just down the road.

Lofthouse, the family-owned concern which has been making Fisherman's Friends in Fleetwood, Lancashire, since 1865, yesterday obtained a permanent injunction in the High Court forbidding the sale of Bosun's Mate, a lozenge which was to have been made by Fairmont Manufacturing, another Fleetwood company.

Bosun's Mate was intended for the export market, which accounts for 80 per cent of Lofthouse's annual turnover of £12m. In 1989, 3bn Fisherman's Friends were sold worldwide, with Italy and West Germany among the leading customers.

Lofthouse has already won a similar case in a West German court.

Institutions vote Greenwell top market maker of 1990 in UK gilts

By Simon Holberton, Economics Staff

GREENWELL Montagu significantly increased its proficiency in the UK Government securities – gilts – market last year and has been voted top market maker of 1990, according to a survey of investors conducted by Greenwich Associates, a US ratings agency.

Greenwell, which came fourth last year, pushed Warburg Securities into second place. Barclays de Zoete Wedd retained its third place ranking, while UBS Phillips & Drew, which came second last year, was relegated to fourth position.

The Greenwich Associates surveyed 138 investment institutions for what is regarded as one of the most detailed evaluations of the performance of securities houses in London. The survey, which reportedly sells for $20,000 is regarded by dealers as important for highlighting the strengths and weaknesses of their operations.

Among the top dealers, Greenwell was rated first for its ability to make competitive markets in gilts promptly, and to deal in large amounts of short, medium and long-dated, stocks. In research capability, the gilt-edged market appears to be dominated by Greenwell and Warburg.

The survey underlines the segmentation in the gilts market. The top four were each nominated by about 100 institutions for a place in the top ten. The remaining seven dealers were nominated by 40 to 60 institutions for the top 10.

"Three Graces": the statue that UK is keen to keep

Minister keen to keep "Graces" in Britain

By Antony Thorncroft

THE Minister for the Arts, Mr Richard Luce, is expected to announce in the next few days that he is extending the export stop on Canova's sculpture of the "Three Graces".

It has been sold for £7.6m. to the Getty Museum in Malibu, California, and an appeal organised by the Victoria & Albert Museum to raise a matching sum by March 12, to keep it in the UK, has only produced £330,000.

Mr Luce is keen to keep the statue, which was commissioned in 1819 by the Duke of Bedford for his sculpture court at Woburn, in the country. He is examining various proposals, including a suggestion by the merchant banker Mr Jacob Rothschild that he should buy the statue and offset the cost against the Capital Tax owed on the estate of his aunt, Dorothy de Rothschild, who died in 1988, leaving an estate valued at £92.8m.

There is nothing in the "in lieu" proposals, which allows the Treasury to accept works of art to offset capital taxes, to prevent such a deal, although, by tradition, the Treasury only sets aside £10m a year to cover such agreements.

But Mr Luce is also considering other proposals, which are believed to include an offer by Mr Rothschild to make a substantial donation to the appeal for the sculpture, thus reducing the tax loss to the Treasury. It is also possible that the Government will increase its as yet unannounced 1990-91 grant to the National Heritage Fund, the main watchdog of the national art treasures.

Further blow for timeshare UK watchdog

By Alan Cane

THE future of the Timeshare Developers Association (TDA), established only three years ago to set standards and protect the integrity of the troubled timeshare industry, is looking increasingly in doubt following the resignation of a second significant member.

Wimpey Leisure, a subsidiary of the George Wimpey construction group operating timeshare developments in the UK and Spain and a founder member of the association, said it was pulling out following a review of its "relevance to existing and potential customers".

There have been criticisms that the TDA, although set up as a self-regulatory body, has proved ineffectual in ridding the industry of the worst excesses of some of the less responsible operators.

The TDA responded yesterday by calling on the Office of Fair Trading, which is investigating the high-pressure selling methods used by some companies, to bring forward publication of recommendations for control of the industry based on self-regulation and existing consumer protection laws.

US disc drive maker plans Scottish plant

By James Buxton, Scottish Correspondent

CONNER Peripherals, the US company which is one of the world's leading makers of computer disk drives, is expected shortly to announce that it is to set up a large manufacturing operation in Scotland.

It is understood that the California-based company will initially start manufacturing at a plant at Irvine in Ayrshire.

The company may later move on to a different permanent location.

Eventually it could employ as many as 1,400 people.

The value of the investment is not known, but the project could be one of the more important inward investments which Scotland has secured in recent years.

The world disk drive industry is dominated by US companies which manufacture both in the US and in the Far East.

Rodime, the Scottish-based disk drive maker, has moved its volume manufacturing abroad.

It decided to locate in Singapore: moving from its plants in Glenrothes, Scotland, and Boca Raton, Florida, because of lower production costs in the Far East.

هكذا من الأصل

FINANCIAL TIMES
SURVEY

Political uncertainty is the economy's main infrastructural problem, according to a leading Greek industrialist. Drastic action is needed to cut public spending, but no political party seems likely to gain a clear victory in the April elections, writes Robert Mauthner

New Democracy party leader Constantine Mitsotakis (top left) is pitted against Andreas Papandreou, leader of Pasok (top right). Among those waiting in the wings to take over as party leaders are Miltiades Evert (above, left) and Costas Simitis (above, right)

GREECE

CONTENTS

KEY FACTS

Area ....130,080 sq km Population 10.01m
Nominal GDP .... (1989) $53.91bn (1988) $52.48bn
Real GDP growth .... (1989) 3%, (1988) 3.5%, (1979-89) 1.5%
Real GDP per capita (1989) $5,228
Merchandise exports .... (1989) $6.47bn, (1988) $5.93bn
Merchandise imports .... (1989) -$13.45bn, (1988) -12.01bn
Trade balance .... (1989) -$6.98bn, (1988) -$6.07bn
Invisibles balance .... (1989) $760m, (1988) $1.47bn
Current account balance .... (1989) -$2.48bn, (1988) -$958m
Consumer price % rises .14 (1989), 13.5 (1988), 19.1 (1979-89)
Total exports .... (1989) $6.5bn, (1988) $5.93bn
Total imports ....(1989) $15.2bn,(1988) $13.57bn
Tourism receipts .... (1989) $2.04bn, (1988) $2.4bn
Main exports (1988)...... ......food $1.5bn, textiles $1.36bn, raw materials $499m, petroleum products $488m
Main imports (1988) ......capital goods $3.12bn, food $2.28bn, petroleum products $1.82bn
Rise in export volume .... (1989) 7.5%, (1988) 2.3%
Rise in import volume .... (1989) 9.4%, (1988) 3.5%
Exchange rate (1989) .... $1 = Dr162.1, £1 = Dr265.8
Exchange rate (1988) .... $1 = Dr141.7, £1 = Dr252.2
Export destinations (%: 1988) ......European Community 61.7 (West Germany 21.9, Italy 14.4, France 8.2, UK 7.6), developing countries 17.1, Asia 1.8, Middle East 7.3
Import sources (%: 1989) ...EC 82.9 (West Germany 21.1, Italy 13.9, France 8.4, UK 5.6), developing countries 19.2, Asia 3.7, Middle East 8.4
Total debt ....(1989, est.) $24.86bn, (1988) $23.51bn
Debt as % of GDP ....(1989) 45.7, (1988) 44.9

Old warlords in deadlock

FORTY YEARS of bitter political strife since the end of the 1940s Greek civil war have petered out in an eight-month-long stalemate, obliging yesterday's mortal enemies to adopt unaccustomed postures of co-operation.

Postures, however, they have remained. After two inconclusive elections in June and November last year, and with a third election within only 10 months due in April, the Greeks have confirmed the dictum of their illustrious ancestor, Aristotle, that man is by nature a political animal.

When it came to taking urgent remedial action to set the increasingly debt-ridden and over-regulated economy on a more healthy course, the political leaders reverted to type and abandoned the distressing economic indicators in favour of their potential voters.

The formation of a coalition government after last year's June election by Mr Constantine Mitsotakis's centre-right New Democracy Party and the Alliance of the Left, made up of Greece's orthodox Communist Party and other left-wing groups, was an unprecedented event which sent shock waves through the nation.

It was presented as a sign that the deep rifts and bitter hostility of the civil war had at last been overcome and that Greece, the mother of democracy in the ancient world, had finally reached political maturity in its modern incarnation. That interpretation, though not without a tiny grain of truth, was only a small part of the story, however.

New Democracy, though it had defeated Mr Andreas Papandreou's Pan-Hellenic Socialist Movement (Pasok), fell several seats short of an absolute majority in the 300-seat parliament and had to find a coalition partner to form a government. But neither Mr Mitsotakis's party, nor the Alliance of the Left, both of which had concentrated their campaigns on a bitter condemnation of the scandals allegedly involving Mr Papandreou, such as the $200m (£130m) Bank of Crete embezzlement and political phone-tapping affairs, could envisage teaming up with the Socialist leader.

The "unholy" right-left coalition which ensued was therefore a marriage of convenience, the overriding purpose of which was to arraign Mr Papandreou before the courts and to organise new elections. It was never on the cards that the arrangement could last more than a few months or solve the country's serious economic problems.

Unfortunately for Greece, the subsequent election, held at the beginning of November, produced another hung parliament, with New Democracy again falling tantalisingly short by three seats of an absolute majority. The Alliance of the Left paid the predictable price of its exclusive liaison with Mr Mitsotakis by losing one-quarter of its parliamentary seats and was not going to be tempted into repeating the experience.

The Government which eventually emerged was almost as un-Greek as its immediate predecessors. A so-called "ecumenical" coalition of all three main political groups, headed by a prestigious non-political Prime Minister, the 85-year-old former Central Bank Governor and eminent economist, Professor Xenophon Zolotas, it was composed of both politicians and technocrats.

But the seeds of its destruction lay in the fact that none of the party leaders participated directly in the Government. Instead, they continued to control affairs from behind the scenes, meeting regularly to try to co-ordinate or torpedo policies, and masterminding their nominees in the Cabinet like marionettes.

"Yes, we have a national consensus," one prominent politician said as the Zolotas experience was in its death throes. "It is a consensus to do nothing." That cynical remark nevertheless sums up the feeling of many dedicated politicians and officials, whose frustration at the failure by any government over the past two years to deal with the country's most pressing problems is often expressed in angry outbursts even to foreign visitors.

Mr Zolotas can certainly not be blamed personally for that failure. Once known as "Mr Austerity" for his efforts as Governor of the Bank of Greece to implement a conservative government's economic stabilisation plan, Mr Zolotas did his utmost to concentrate his Cabinet's mind on the harsh medicine demanded to cure the country's economic ills.

Given the inevitability of another election in April, however, no party was willing to accept even joint authorship of most of the unpopular measures which everyone privately agreed were required. Only a minimum programme of price increases in the public sector has been implemented and the three parties finally withdrew their ministers from the Government two weeks ago – typically because of disagreements over military patronage and tax reform. In the words of Mr Stelios Argyros, the long-suffering President of the Federation of Greek Industries, "political uncertainty has become the number one infrastructural problem of the economy."

Even Mr Papandreou – an economist of some repute himself, though he rarely allowed economic criteria to water down his socialist policies – finally adopted a stabilisation plan in 1986, which lasted for two years. Yet though it succeeded in sharply reducing the huge government deficit and nearly halving the rate of inflation, it was relaxed much too early to have a lasting effect.

Today, the economy is again in dire straits, as the latest OECD survey of the Greek economy, published at the beginning of this month, underlines in unusually clear terms. After registering one of the worst performances in the OECD area over the past decade, Greece will have to finance a public sector borrowing requirement (PSBR) of close to 22 per cent of GDP in 1990, while inflation is forecast to rise once again to 17 per cent, between three and four times the average of the western industrialised nations. At the same time, the economy is expected to grow by only 1.5 to 2 per cent, which will not, however, prevent the current external deficit from once again reaching at least $2.5bn, or 5 per cent of GDP.

Whatever government emerges after the April election will have to take drastic action to cut public spending and increase the state's revenues. On the expenditure side, the measures should include the selling off of ailing companies already in the hands of the Industrial Reconstruction Organisation, with total liabilities of Dr250bn, the abolition or sharp reduction of the large panoply of industrial investment subsidies and a complete overhaul of the over-generous public pension system.

On the revenue side, experts all *agree that a fundamental reform of* the tax system – broadening the tax base to include the presently exempted farming sector and bringing in tough measures to counter tax evasion – is urgently required.

Whether any party is prepared to grasp all these painful political nettles must remain very doubtful on the evidence of past behaviour. To do so with impunity, it would have to win a substantial majority at the next election, and this is an unlikely prospect. According to the latest public opinion polls, New Democracy's support has fallen marginally below the 46 per cent it polled in November, while Pasok may have picked up a percentage point or two and the Alliance of the Left has lost a couple of points.

These findings appear to point to another hung parliament, which would be a real disaster, given the bold economic decisions required.

Firm leadership is also called for by the external situation. Fears are already growing in Athens that Turkey is taking advantage of the political vacuum in Greece to foment unrest among the 130,000-strong ethnic Turkish community in Western Thrace and to soft-pedal proposed solutions of the Cyprus problem. At the same time, the ferment on Greece's borders in Yugoslavia and, perhaps in the near future, in Albania, as well as the need to negotiate a new Defence *and Economic Co-operation* Agreement with the US – extended by the caretaker government for only six months – all require strong and stable government.

Failing a clear victory by either of the two main political parties – the most likely outcome – a "grand coalition" between them might be the second best answer. Pasok has not completely ruled out a coalition with New Democracy, especially if the 71-year-old Mr Mitsotakis should throw in the sponge after so many unsuccessful attempts to win the crown. But Mr Papandreou, at the same age and after his major heart operation, may also soon come under pressure from his party, which has not always appreciated his U-turns.

There is no shortage of younger men to take their place: in the case of New Democracy, the 51-year-old Mr Miltiades Evert, the Mayor of Athens, and for Pasok, Mr Costas Simitis and Mr George Gennimatas, former and present National Economy Ministers. The retirement of one or both of the old warlords, who have been at each other's throats for 25 years, may be the only way to give Greece the new political and economic impetus that it so desperately needs.

A Special Correspondent looks at the country's shipping

Shipowners fight back

AS THE 1990s get under way, there has been a change in the attitude of Greek shipowners.

More sophisticated, more wary, those who survived the 1980s shipping crisis are diversifying their investments. The days of improvised operations are past and owners have become more management-oriented, many moving to a corporate structure and away from traditional tight family controls. They have been among the leaders in public flotations to raise finance; computerisation and econometric models have become part of their daily jargon.

For many years the term "Greek shipping" conjured up images of private jets, palatial island homes and the very public private lives of some major names of the 1950s and 1960s.

But the hundreds of ex-masters who got together with family and friends to buy a first ship and slowly to grow into medium-sized shipping companies were not the food of gossip columns. To a great extent their efforts achieved what is often called the "Greek miracle," building the Greek merchant fleet to vast proportions and a dominant worldwide position as they became the taxi-drivers of the seas.

By 1981 the Greek-flag fleet totalled almost 4,000 vessels of some 42m gross registered tons. But in the early 1980s a crisis hit the shipping industry worldwide and undercapitalised companies began to fold or, at best, to juggle debts, reschedule loans and look for ways of cutting costs.

A change of flag was often the solution, taking Greek-owned tonnage into other registers, though remaining under home management. Today the Greek-flag fleet has fallen below 2,000 ships and totals just under 21m tons gross, but according to recent figures, the Greek-owned fleet worldwide holds first place in the ranks, at 80m deadweight tonnes.

Government blamed for poor telecommunications

Diversification is not something new to the Greek shipowners, but has been intensified by the lessons learned during the crisis. Investment in the tourism sector predominates and moves are also being made into the agricultural and food processing sectors by some owners who see this as a future safeguard against market fluctuations in shipping.

Shipowners have also sunk large investments into Greek radio and television stations, as well as newspapers. Banking is another sector where shipping companies, which have built up exceptionally high liquidity through timely sales of vessels, have turned to invest their money.

Besides the recent buyout of the long-inoperative Bank of Chios by three shipping groups, Vardinoyannis, Livanos and Goulandris, which awaits Central Bank approval, banking operations are also being launched by the Mayamar group which admits it made "large profits" on the sale of some 16 vessels over the past couple of years.

A third group in the banking stakes is John Latsis, the shipowner and entrepreneur, which opened a private bank in London last year.

The significant number of Greek vessels sold, many of which have passed into Norwegian hands, is not attributed by the owners to any desire to get out of shipping, but rather as a form of asset play at which they have considerable expertise. Local brokers are confident that when market prices come down, the Greeks will be back in as buyers.

The replacement of the ageing world fleet has been a source of concern to the industry and raising public financing is a frequently-mooted solution to the problem. *Although flotations have been* launched by at least three Greek groups, small and medium-sized owners see difficulties in fleet replacement in the coming decade, with freight rates unable to justify new construction.

The emerging profile is one of owners less shackled by ties of patriotism than they were in the past and more determined to be an international force. Shipping earnings in foreign exchange have always been a major prop for the Greek economy, but after a healthy upturn when the market revived in the late 1980s, they are again beginning to decline.

After slipping to \$1bn in 1985, revenues picked up again to \$1.38bn in 1988. But by last November earnings were registering a 2.2 per cent drop on the 1988 figure.

Mr Stathis Gourdomichalis, president of the Union of Greek Shipowners, lashed out recently at the state for being unable to keep up with the pace of developments in the shipping industry. To a large degree, he attributed the drop in foreign currency inflows to successive governments' failures to provide the services required by shipping companies, both Greek and foreign.

"Telecommunications? What telecommunications?" Mr Gourdomichalis said, noting the Piraeus offices ask their overseas bureaux to call them because lines are more reliable and charges cheaper from the US or Britain.

While Greece tries to pull itself out of its political and economic quagmire, its shipowners have proceeded at their own pace,

Seven changes of shipping ministers during the eight years of Socialist Government and two more under the coalition administrations which have ruled since June have resulted in a confusion of measures and failure to woo Greek-owned ships back to the national colours. So the Greek shipping community has done what it always did best: it has evaluated and used the opportunities available in the international shipping markets.

FOREIGN POLICY

The Turks that won't go away

TURKEY RUNS like a thread through all aspects of Greek foreign policy and there is hardly a problem which has not been found in Athens to have a Turkish angle.

Whether it is the future of Cyprus, ethnic minorities in Greece and Turkey, Greece's stormy relations with the US since 1945, Athens' Nato policy or its attitude to the European Community, all have important Turkish components.

Cyprus remains the touchstone for Greece's relations with Turkey and, to some extent, with other countries. Until this problem is solved to the satisfaction of the Greek community in the island and the Government in Athens, relations will remain tense, spilling over into other issues.

Though some Greeks would admit that Turkey was provoked in 1974 by a coup against Archbishop Makarios engineered by the Colonels, none accepts that justified a military invasion of the northern part of the island, least of all a unilateral declaration of a "Northern Republic of Cyprus."

At one point, hopes were high that the dialogue between Athens and Ankara inaugurated by the meeting in Davos in January 1988 of Mr Andreas Papandreou and Mr Turgut Ozal, then respectively Greek and Turkish Prime Ministers, would lead to a breakthrough on the Cyprus problem.

However, the ambitiously named "spirit of Davos" is no more. Greece has been plunged into political crises since June last year and has failed to produce a durable and authoritative leader of the Papandreou stamp as a negotiating partner with the Turks. Indeed, Greek officials now accuse Ankara of taking advantage of what seems a political vacuum in Athens to foment unrest among ethnic Turks in Western Thrace.

On the substance of the problem, too, it is difficult to see any progress in the respective positions of the Greek and Turkish Cypriot communities, or their patrons in Athens and Ankara. Both sides accept a bi-zonal federation in principle. But President George Vassiliou of Cyprus wants to see the principle of freedom of movement and settlement for all citizens enshrined in the new constitution. It is doubtful, to say the least, that Mr Rauf Denktash, the Turkish Cypriot leader, would ever contemplate the idea that 200,000 Greek Cypriots, who fled to the south at the time of the Turkish invasion, should be allowed to return to their pre-1974 homes.

Nor are there any signs of movement on the sensitive issue of the timing of the withdrawal of Turkish troops, which the Greek Cypriots want to see pulled out before any new federal constitution comes into effect. Indeed, Mr Denktash is believed in Athens not to want a settlement at all which will undermine his position as "president" of the northern part of the island.

Intractable as the Cyprus problem is, there is a school of thought which believes that there can be a deal between Athens and Ankara in which Turkey would adopt a more flexible position if the Greeks agreed to support Turkey's application for membership of the European Community.

This capacity to use membership of international organisations as a bargaining platform was at least partly responsible for Mr Papandreou's change of heart about the EC and Nato during his premiership. An economically beleaguered Pasok Government could not fail to be influenced by the material advantages accruing to Greece as a result of its EC membership.

Last year, for instance, net transfers from the EC were equal to the country's whole current account deficit and made up more than one-third of its total invisible receipts. The political clout which membership of the EC has given Greece in its dealings with Turkey was also an important factor in the former Prime Minister's thinking.

What is true of the EC is equally relevant to Greece's Nato membership. It was Mr Constantine Karamanlis, the former Centre-Right Greek Prime Minister, who withdrew Greece from the military wing of Nato in the aftermath of the second Turkish offensive in Cyprus in August 1974. But Mr Papandreou, in spite of his party's ideological opposition to the western military bloc and his emphasis on national independence, maintained Greece's membership in the Alliance. He rightly saw that it would be to the military and diplomatic disadvantage of Greece to be outside Nato, while Turkey was inside and could much more effectively lobby the US and all the other members on disputes with Greece in the Aegean and elsewhere, to say nothing of military aid. Athens has always insisted that the ratio of 7:10 applied by the US to aid to Greece and Turkey respectively was inviolable.

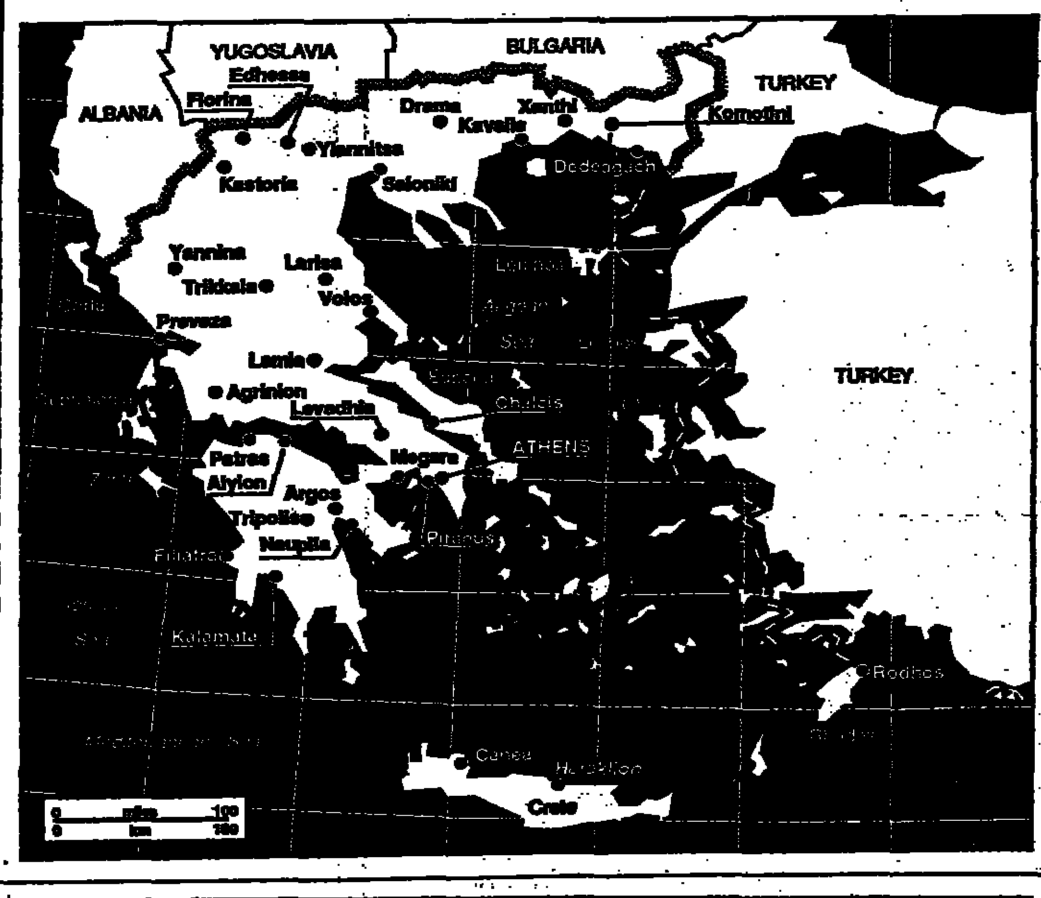
Political crises have extinguished the "spirit of Davos"

The thought that Washington might favour Turkey at the expense of Greece has haunted Greek governments throughout the post-war period. It was partly responsible for the ambiguous attitude adopted by Mr Papandreou towards the US, a country where he had spent much of his adult life. The Greek Left has not forgotten that US intervention in the civil war in 1947 ensured the victory of the Right and the defeat of the Communists and has always resented what was perceived as the patron/client relationship imposed by Washington subsequently.

Almost as a punishment, Mr Papandreou never ceased to harass the US over its military bases in Greece which, in theory, he wanted to see removed. Yet, in practice, agreement was always reached at the last minute on the conditions under which they would be allowed to stay. It was, to say the least, ironic that the US decided unilaterally and unexpectedly at the beginning of this year to close two out of four military bases in Greece as part of a world-wide economy plan. Not a few Greek politicians who had fought for decades to achieve such a result felt cheated that they had had no part in it!

Forty years after the end of Greece's civil war, it seems as if relations with the US have at last entered calmer waters. The same, unfortunately, cannot be said about relations with Greece's hereditary foe, Turkey.

Robert Mauthner



Robert Mauthner explains why the economy is in a mess

Reforms that politicians shun

THE GREEKS, who spend much of their lives arguing with each other, and foreigners are at least agreed on one thing: their economy is in a mess. The political stalemate of the last few months has meant that urgent economic policy decisions have been postponed or side-stepped, with little regard to the rapid deterioration of the economy.

The Paris-based OECD, not an organisation famed for calling a spade a spade, this month published an unusually hard-hitting survey of the Greek economy, which underlined the serious problems that would have to be tackled by any government emerging from next April's elections.

After 30 years of substantially faster growth than the OECD average, Greece's performance during the present decade is deemed to have been one of the worst of any OECD member country. It has only just started to tackle the structural problems which are at the root of its poor record, even though its entry into the European Community as a full member in 1981 should have provided a strong impetus to take action a long time ago.

Greek and international economists agree that far-reaching reforms of the large state-controlled industrial sector, accounting for nearly 70 per cent of GDP, as well as the tax and social security systems, are urgently required to reduce the spiralling public deficit and inflation and make the economy competitive.

Meanwhile, the short- and medium-term outlook is bleak. The growth of GDP is expected to fall to below 2 per cent in 1990 from about 3 per cent last year, while inflation is forecast to rise to 17 per cent, two to three percentage points higher than in 1989, and more than three times the OECD average. The current external deficit, which started to deteriorate in the spring of 1989 is likely to remain at about 5 per cent of GDP this year. But, worst of all, the public sector borrowing requirement (PSBR), which rose to 21.5 per cent of GDP last year, is expected to maintain its upward trend.

The burden of financing the public debt which, astonishingly, now totals the country's entire GDP, has become unsustainable. Public expenditure needs to be cut and government revenue increased. Crisis measures, such as issuing a 12 per cent one-year index-linked Ecu bond to cover the large January deficit, can be employed once or twice but they do not provide a long-term solution.

The tragedy is that, a little more than four years ago, the Socialist Government of Mr Andreas Papandreou, which had favoured exorbitant spending on social welfare and public sector employment, at last appeared to grasp the nettle. A two-year stabilisation programme, introduced in October 1985, succeeded in bringing down inflation from 22 to 12 per cent in two years, reducing the PSBR from 18 to 13 per cent and lowering the current account deficit from 10 per cent of GDP to 2.7 per cent over the same period.

THE SHORT-TERM OUTLOOK
Annual percentage change

	1984-88	1989	1990*
Private consumption	2.2	3.0	2.0
Government consumption	2.5	5.0	3.2
Fixed investment	0.2	8.4	2.4
Total domestic demand†	1.9	5.5	2.4
Exports of goods and services	9.6	4.0	5.2
Imports of goods and services	9.8	9.0	6.2
Foreign balance‡	-0.1	-1.8	-0.7
GDP market prices§	1.9	2.3	1.5
Productivity growth	1.2	1.4	1.2
Unemployment rate	7.6	7.8	8.5
Average earnings	16.6	19.5	19.1
Price deflators			
Private consumption	17.4	14.1	16.8
GDP	18.0	14.8	16.8
	Percentage	of	GDP
PSBR, cash basis	15.4	21.5	21.8
General government deficit (=-net lending, accrual basis)	13.2	18.8	18.8
Current external deficit	4.7	4.7	4.8

*November 1989 projections; †including stockbuilding; ‡Change in per cent of previous period's GDP; §including error of estimate
Source: Organisation for Economic Co-operation and Development (1990)

GDP is expected to fall, as inflation and the PSBR go up

The programme also had the effect of stimulating private investment, improving the profitability of manufacturing enterprises, stabilising the external debt and reducing the growth of public sector employment. But the restoration of the economy's competitiveness through a sharp reduction in unit labour costs inevitably had a downside. Real wages fell by 11 per cent, a development which a Socialist Government found difficult to swallow, given that it depended on the votes of workers who had borne the brunt of the austerity measures.

The subsequent relaxation of tight budgetary and incomes policies in 1987 permitted a revival of economic activity and employment, but it came too early for the gains made in the preceding two years to be consolidated. Above all, the Government failed to meet its own target for PSBR cuts and made little attempt to set in train the fundamental structural reforms which were required to achieve sustained, non-inflationary growth.

The reforms have been identified repeatedly in both national and international studies on the Greek economy. To bring down the public deficit, expenditure cuts will have to be made in the public sector employment bill, the public pension system and subsidies to business and industry.

Overmanning is a particularly acute problem in many public services and industries and labour regulations make it extremely difficult – in some cases virtually impossible – to declare employees redundant.

Since 1980, the annual rate of growth of the real wages of government employees was about three times as fast as that for employees in the private sector. Moreover, the ATA wage indexation system, quite apart from increasingly being seen as no more than a floor for actual wage increases, and thus serving to fuel inflation, favours the unskilled and has led to a compression of salary scales which has undermined the recruitment of more qualified staff.

The public pension scheme is a particularly sensitive area, but no economic analysts doubt that it has to be overhauled. Expenditure in this area has now reached a level of 15 per cent of GDP, which is the highest ratio in the OECD after Italy. Real average pensions and the number of pensioners have increased four times faster than real average earnings and the deficit of the pension scheme increased to 9 per cent of GDP last year from only about 1 per cent in 1980. The contribution period for a full pension is relatively short and many people are able to retire at 55, or even earlier.

Another priority area for reform is to reduce the industrial subsidies and public support given to so-called "problematic enterprises", or ailing companies, which in terms of GDP, are among the highest in the OECD area. State grants and interest-rate subsidies amount to about two-thirds of the value of approved investment projects, equivalent to as much as 3 per cent of GDP. Though the outgoing administration has begun to tackle the problem of the inefficient and debt-ridden companies, 44 of which were transferred to an Industrial Reconstruction Organisation in 1984, none of the 28 "viable" companies singled out for complete or partial privatisation have yet been sold off.

Much, too, needs to be done on the revenue side of the public balance sheet if the PSBR is to be brought down. Tax evasion is rife in Greece and the "black" economy is estimated to account for 30 to 40 per cent of GDP.

Tax allowances are unduly generous and farmers are completely exempt from paying tax. The fight against fraud alone is a mammoth task, requiring the recruitment of qualified inspectors, who must be given the necessary legal tools to verify tax declarations.

At the root of all Greece's economic troubles has been the lack of political will to deal with these problems. It is not difficult for politicians to identify the remedies, but it is much harder to put them into practice.

GREECE'S TOP BANKS: 1988 ($m)

	Capital	Capital/assets ratio (%)	Profits	Assets
1 National Bank	677	2.6	46	26,125
2 Agricultural Bank	493	7.2	26	6,857
3 Hellenic Industrial Develpmt Bank	443	17.5	NA	2,535
4 Commercial Bank	225	3.6	17	6,227
5 Credit Bank	131	4.2	30	3,141
6 National Mortgage	109	2.8	NA	3,857

Source: The Banker

BANKING

Interest rates soar

THE TREND towards rapid liberalisation of the Greek banking system, so evident in the past few years, has slowed markedly in recent months in the face of continuing political uncertainty and a worsening economic situation.

In fact, some bankers and businessmen say they are finding it difficult to take full advantage of existing deregulation as the public sector swallows up an increasing share of available financial resources.

Efforts this year to shrink by three percentage points the public sector borrowing requirement, which in 1989 reached a record 21.5 per cent of GDP, are unlikely to succeed unless the Government that takes power after the April 8 election imposes firm measures to restrict public spending and increase tax revenues.

Mr Dimitris Halikias, the Governor of the Bank of Greece, points out: "Savings are scarcely enough to meet the borrowing needs of the public sector and leave very little room for financing investment in the private sector.

"Given the large public sector deficit, monetary and exchange rate policy are the only ways of imposing some discipline on the economy."

Domestic credit expansion to the private sector rose steeply last year following the lifting of credit restrictions on import finance in the autumn of 1988. Importers stockpiled both consumer and trade goods in apparent anticipation of a swifter depreciation of the drachma. At the same time, companies sought drachma loans from local banks in preference to borrowing abroad.

The Bank of Greece finally intervened last November in order to restrict private sector credit expansion to 20 per cent for the year. Banks which allowed credit to rise above 5 per cent for the final quarter of 1989 were required to place amounts totalling 25 per cent of the extra credit in non-interest bearing deposits with the central bank.

Coupled with higher interest on treasury bills and government bonds, the move helped send interest rates upwards. Basic lending rate now averages 25.5 per cent for short-term working capital and some rates have reached 28 per cent.

The cost of borrowing is increasing and that trend is set to continue, says Mr Halikias. "We already have the highest real interest rates in the OECD. But it is only when the public sector deficit is brought under control that it will be possible to relax monetary policy and reduce interest rates."

Deregulation has brought a greater reliance on market instruments rather than the administered interest rates of the past. Now only the minimum savings deposit rate is set by the Bank of Greece, along with lending rates for small and medium-sized enterprises and some housing loans handled by the state-owned Mortgage Bank.

The Bank of Greece has also abolished a long-standing system of obligatory reserve-rebates on bank loans which aimed at levelling out the banks' rate of return on different types of loan. As a result, almost Dr 110bn was released.

But interest rates are still influenced to some extent by the central bank's requirement that 39 per cent of deposits be held in Treasury bills and another 10.5 per cent be earmarked for financing public sector activities. Another 10 per cent is reserved for subsidised loans to small and medium-sized enterprises.

Greece's economic difficulties have also caused a delay in setting up a forward market in foreign exchange, although Mr Halikias says it will be introduced later this year. The Government had to ask its European Community partners for a six-month delay in liberalising the outflow of investment capital, for fear of triggering a massive flight of capital. Another six-month extension is likely to be sought in June.

The problem of modernising the sluggish, overstaffed state-controlled banking sector is looming as the single market of 1992 approaches. The Bank of Greece report for 1988 notes: "The pressure of competition is the only means of developing an efficient credit system able to cope with conditions emerging from the integration of financial markets in the Community."

The 22 foreign banks operating in Greece are expanding their activities, partly because they can respond more flexibly to opportunities offered by liberalisation. Their return on equity is currently more than four times the average of the state-owned Greek banks.

At the National Bank of Greece, which controls the bulk of the state banks' 80 per cent share of the market, reforms to boost productivity and improve customer services are moving slowly in order to avoid antagonising the powerful bank employees' union. But energetic efforts are under way to restructure its portfolio and promote connections abroad.

Foreign banks can respond more flexibly to the opportunities

"We're in the process of setting up a modern treasury and dealing room, but we're hemmed in by bureaucracy which slows us down considerably by comparison with non-state banks," says Professor Dimitris Germides, the Governor of the National Bank.

As part of its portfolio overhaul, the National Bank has approved the sale of the Bank of Chios to a group of Greek shipowners in the first privatisation of a Greek bank, according to Prof Germides. The state-owned French bank, Credit Agricole, is considering the purchase of a holding in a National Bank subsidiary, the National Investment Bank for Industrial Development, which is increasing its capitalisation.

Little is heard these days of the embezzlement scandal at the Bank of Crete, which helped bring down the Socialist Government of Mr Andreas Papandreou, the former Prime Minister, last year. Mr Ioannis Kamaras, the Bank of Greece's temporary commissioner there, has established that Dr34bn disappeared as a result of illegal activities by its former owner, Mr George Koskotas, who is awaiting extradition from the US. Of that sum, all but Dr3bn has been traced to accounts in Greece and abroad.

"A total of 600m drachmas has so far been returned, but it will take the courts several years to pursue the remainder," Mr Kamaras says. Private deposits have returned to the Bank of Crete at a steady rate recently, while a ministerial decision on its future ownership is awaited. The Bank of Greece provided a 12-year loan of Dr25bn at 5 per cent interest and waived the compulsory reserve requirement for the Bank of Crete until 1994. Public sector enterprises, several of whose ex-directors are accused of siphoning off funds deposited at the bank, chipped in with a five-year Dr7.5bn loan at 17.5 per cent.

Meanwhile, the Bank of Greece has tightened up auditing procedures, introducing measures to verify management methods and requiring the banks to report more regularly.

To make sure there is no repetition of the Koskotas affair, new legislation on bank secrecy was passed last autumn, lifting confidentiality in case of criminal investigation and setting strict rules for ownership of private banks.

Kerin Hope

A new environment is being created, reports **Kerin Hope**

The scientific side of Crete

THE mythological craftsman Daidalos, who escaped from Crete on wings of feathers and wax and later found himself designing hot water systems for the King of Sicily, could be called the founder of a tradition that Greek scientists must go abroad to find research opportunities and win professional recognition.

Lack of state funding, the intensely political atmosphere at Greek universities where appointments often reflect patronage rather than ability, and a reluctance by industrial companies to plough profits into research and development are among the reasons cited by researchers who emigrate.

The former Socialist Government tried to reverse the brain drain by founding a cabinet-level secretariat for research and technology, but it came up with few practical incentives to bring home some of the estimated 3,000 Greeks who work at universities and research institutes abroad.

It was left to Dr Fotis Kafatos, a Cretan-born biology professor at Harvard, to devise a way through the bureaucratic labyrinth resulting in the establishment, under the secretariat's auspices, of seven research institutes around the country.

The centres, known collectively as the Foundation for Research and Technology Hellas (Forth), focus on basic and applied research. They are administered independently from the state-run universities, which makes it easier to attract researchers and funds, says Dr Kafatos. Four of the institutes are in Heraklion (a couple of miles from the Minoan palace of Knossos where Daidalos worked), making up the Research Centre of Crete. They concentrate on molecular biology, laser physics, applied mathematics and computer science. Much of their activity is devoted to developing high-tech products for use in Greece and abroad.

Despite the lack of scientific infrastructure on an island whose main industries are agriculture and tourism, in the past six years the centre has attracted well-regarded Greek researchers and generated funds from abroad. "We've tried to create a scientific environment that will encourage Greeks to come back and work and at the same time be suited to training a new generation of researchers," says Dr Kafatos, the centre's director who, like several of its scientists, combines a job in the US with working in Crete.

Glyn Genin

Knossos, the palace of the Minoan kings near Heraklion on the island of Crete

The research staff currently numbers 76, of whom 54 also hold university posts, many at the University of Crete which acted as a launch-pad for the centre, as well as 100 graduate students. Its 1989 budget was $11m, of which $6m came from the Greek Government and the remainder from European Community and other international research programmes, along with some $500,000 from sales of products and services.

Funding from the EC, including the Esprit and Brite programmes, doubled in 1989 to $3.37m. Closer links with the EC would bring more foreign scientists to work in Crete and help build what Dr Kafatos calls "the critical mass and the international horizon necessary to ensure our long-term survival and development."

One obstacle to swift expansion is that salaries in Crete are only one-quarter of the US average for scientists of similar calibre. Another is the feeling of isolation that comes from living far from the European scientific community, although the centre has access to data-networking technology and is linked with the European Academic and Research Network.

"It's true you have to be an ideologist, even a bit of a romantic, to come and work here. But we do get several trips a year abroad to help keep in touch," says Dr Sifis Papamatheakis of the Molecular Biology Institute. To help compensate, there are plans to seek EC research grants so that salaries can be raised at least to the Western European average.

A developing market for the centre's high-technology products will also contribute: one molecular biology research group has developed a pregnancy test for cows that is already available to Greek vets and could soon be sold abroad. Another group produces enzymes and monoclonal antibodies for use by other researchers. Two companies are being set up to handle marketing and sales.

"It's not like being in California: we have to create the business climate and the development context ourselves," Dr Papamatheakis says.

The centre's most advanced spin-off operation so far is its least technological one: the Mitos company which organises conferences, workshops and summer schools on Crete.

However, the Institute of Electronic Structure and Laser, with four state-of-the-art laboratories, already co-operates with more than 80 Greek and Western European companies, and 80 per cent of its budget comes from non-government sources. Its Laser Applications Laboratory has a business orientation, offering services and expertise in laser cutting and surface treatment for several materials, including fabrics and plastics as well as metals.

The Institute for Applied Mathematics is creating a data base for business and tourist information about Crete, as well as working on underwater acoustics in co-operation with companies abroad.

Activities at the Computer Science Institute, which also focuses on applied research and meeting local technological needs, range from research on artificial intelligence to establishing a company to provide systems for processing medical information.

"We probably try to do more than we should. But we need to attract projects with high added value so that our relative geographical isolation doesn't matter," says Dr Eleftherios Economou, Forth's director. The next step, he says, will be to create a science and technology park outside Heraklion with assistance from the EC's regional fund, which will underpin the centre's activities "through building solid links between research and production."

INDUSTRY

Small crumbs of comfort

A RECENT survey of the top 500 European companies does not include a single Greek company, although six Turkish ones are listed.

By Western European standards, almost all Greek companies are small or medium-sized. The largest employs 7,000 people, while only 36 firms have more than 1,000 employees.

Their share in the European market is tiny, amounting to 1.26 per cent of total production. The Greek textiles industry, the most important sector, accounts for 4.2 per cent. But it is not just the small size of Greek industrial companies that will make it hard to compete in the single European market. The likelihood that economic conditions will remain difficult and the continuing expansion of the state sector at the expense of private industry will also have a negative effect on growth in the early 1990s, analysts say.

Despite warnings against further state expansion from Greek and international economic research bodies, the state-owned companies continue to grow — in defiance of EC directives on unfair competition. The state-owned Hellenic Telecommunications Organisation (OTE) recently decided not to award licences to any outside companies for setting up and operating mobile telephones networks.

"Although private industry is ready, willing and able to give battle for 1992, the negative macroeconomic considerations are a major stumbling block," says Mr Theodore Papalexopoulos, chairman of a big cement company and former president of the Federation of Greek Industries. The recent political instability and the unresolved future of the state-controlled companies which belong to the Organisation for Industrial Reconstruction (IRO) inhibit private company directors from embarking on the much-needed modernisation and transformation of large parts of industry.

While the IRO was originally set up on a temporary basis — two years after the Socialists came to power in 1981 — so as to re-organise firms, inject fresh capital when necessary and wind up unproductive companies, most firms it took under its wing are still doing badly. The IRO took over management of 44 companies, with total liabilities of Dr 250bn. A few have been sold off at auction; the remainder received a fresh injection of capital and reversed their debt through compulsory increases of capital from existing shareholders such as the state-owned banks, and through conversion of debt into equity.

Professor George Yannopoulos, the IRO chairman, hopes that over the next few months some of the 28 IRO companies rated as viable will be bought by Greek and foreign investors. Financial profiles of several companies have been circulated to potential buyers.

These companies include the Heracles Cement; Eteka, a big engineering company; a large Athens department store; and Olympic Marine, a pleasure boat builder. Foreign banks and financial institutions including Morgan Stanley, Baring Brothers and Citicorp have had consultations with senior government officials and Mr Xenophon Zolotas, the Prime Minister, on financing purchases of IRO companies.

The overall outlook for industry until 1992 appears bleak. Industrial production in 1989 grew only 2 per cent, down from 5.2 per cent in 1988, according to the independent Institute of Economic and Industrial Research. Steep production rises in 1988 came after several years of declining output and reflected a growth in demand following the relaxation of the austerity programme of 1986-87. Fears are being voiced that output this year may show a decline.

Foreign investment, especially from West Germany and Japan, may now bypass Greece in favour of Eastern Europe, according to Mr Stelios Argyros, the federation president, not just because of larger markets and more attractive opportunities there but also as a result of the prevailing economic climate in Greece.

But he believes Greek industry does have some advantages. "The average small size of Greek industries leaves room for spectacular growth, much faster than that of well-established European industries. Whatever the size, technology-driven companies that improve product quality, processing capabilities and exploit the scope for business in the large European market are bound to succeed."

Costis Stambolis

TOURISM

Upmarket drive

THIS year's slump in Mediterranean bookings and the rise in popularity of exotic destinations have awakened Greek travel agents and tourism officials to the possibility that several lean years may lie ahead.

The Greek tourist industry, while paying lip-service to the idea of attracting high-quality, free-spending visitors, had grown used to a steady flow of package tourists in search of little more than sun and sea, plus plenty of cheap wine.

But if there is to be a shift in the 1990s towards long-haul holidays, competition for the Mediterranean market will grow fiercer. For Greece, a new emphasis on advertising and an improvement in services are priorities in the battle to retain its market share and at the same time increase revenues.

Professor Marios Rafael, who heads the National Tourist Organisation (NTO), says that in 1981 about 5.5m tourists spent $2bn in Greece, yet by the end of the decade the numbers had risen to 8m, while income grew only marginally.

"Our problem is the effective decline in earnings. I don't think we necessarily need to increase the numbers, but we must increase the yield and this means an improvement in what we offer," he says.

In 1988, Greece earned close to $2.4bn from tourism. Figures for 1989 show a 20 per cent decline but central bank officials say these are misleading since tour operators are keeping money abroad as a hedge against depreciation of the drachma.

This year the NTO has doubled its publicity budget and will spend more than $35m on advertising, mostly in the US and Western Europe.

To demonstrate officially that Greek tourism is moving upmarket, restaurant and taverna owners have been told to stop using plastic tablecloths. Linen is recommended, but it is probably safe to bet on a return to sheets of paper, perhaps recycled if the Environment Ministry has its way.

The authorities are also trying to make Athens airport more welcoming, yet it will take more than a ban on sleeping on the terminal floor to solve the problems of overcrowding at the height of the charter season.

Prof Rafael says a campaign is under way to shut illegal "rooms-for-rent" operations in which unlicensed hoteliers provide accommodation at cut-price rates for both individuals and small tour operators. "We have enough hotel beds for 8m visitors but our occupancy levels are below what's considered acceptable in other countries," he says. "Our aim is not to build new hotels but to encourage renovation of existing ones, especially where hotel density is high."

Foreign investment in hotels and resort complexes is encouraged but political uncertainties may cause delays until 1992 when the European single market will remove many of the bureaucratic obstacles. More than 20 large hotels are already being offered as takeover prospects, including some on the perennially popular islands of Corfu and Rhodes.

Japanese potential investors are showing interest in some hotels, while the number of Japanese visitors, though still small, rose by almost 20 per cent last year. The Greek state carrier, Olympic Airways, is inaugurating a weekly Tokyo flight in April, which is expected to play a role in boosting Japanese arrivals this summer.

Specialised tours, conferences and incentive packages are often mentioned as ways of increasing high-quality tourism. More than 100 international conferences are held in Athens every year, but the incentives market is small. Like the cruise sector, it was hit when the US State Department advised in 1985 against visiting Greece because of the danger of terrorist attacks.

Mr Byron Argyris, a travel agent who specialises in incentive tours, says the market is showing signs of recovery.

"We expect a 30 per cent increase in business this year. That will take us back to 1984 levels. There are also encouraging indications that the European incentives market is developing," he says.

Cruise bookings for 1990 have also picked up. Again the emphasis is on growing European interest.

Kerin Hope

WINE

Switch toward sophistication

WHEN THE trickle of wine imports from other European Community members becomes a flood, Mr Vassilis Kourtakis, a third-generation wine-maker, is *determined that Greek vintages* should be able to compete.

Wine has always been taken for granted in Greece, grown in family vineyards and dispensed from a barrel in the kitchen. But consumption patterns are changing as bottled wine replaces the barrel variety and retsina, the traditional Greek white wine with a pine-resin flavour, *gives way to* more sophisticated vintages.

The country's large wine-making companies are focusing on improving and standardising quality as they expand the range of bottled wines. Marketing strategies have become more important, while developing exports is seen as essential for survival in the single European market.

"It's hard to move in another direction, but there is no choice. Better organised production and improved exports will be crucial," says Mr Kourtakis. His company is Greece's biggest retsina bottler, but has also launched three white wines in the past six years.

According to a recent study by the Institute for Economic and Industrial Research, a private group, Greek vines are older and less fruitful than most others in southern Europe. The small size of vineyards and high transport costs also contribute to making Greece the least efficient wine producer in the Community.

French and Italian bottles are starting to appear on Athens supermarket shelves

Production averages about 4.5m hectolitres a year, representing almost 2.5 per cent of total EC output and only one-third is bottled, according to the study.

For the moment, the lowest VAT *rate of 6 per cent is* applied to bottled wines. But prices are expected to rise between 16 and 40 per cent after 1992. Greece cut tariffs on imported Community wines last year and French and Italian bottles are starting to appear on Athens supermarket shelves.

"We expect the northern European wine market to open up further after 1992, but competition will be intense. For small independent producers, like those in Greece, the key will be to find the right niche," says Mr Kourtakis, who also serves as chairman of the EC advisory committee on wine.

An enthusiastic oenologist with 10 years' experience in France, he says that experimenting with imported vines and introducing new technol*ogy is the way to capitalise on* Greece's natural advantages of soil and climate "which mean that a huge diversity of wines can be produced in a small geographic area.

To improve quality, Mr Kourtakis has introduced new French vines to growers in the Ritsona district north of Athens where he has built a state-of-the-art winery using *cold pressing and fermentation* techniques.

Cold fermentation extracts the aroma and preserves it, so the wine has more taste and a more complex bouquet. It is not usually done in Greece because there is too much sun.

For Greek producers, the export markets are dominated by West Germany – where the expatriate community provides a base for steadily improving sales – and Italy. Mr Kourtakis says his wines do surprisingly well in Canada, where they are included among the three leading imported labels.

Kerin Hope

OLYMPIC GAMES

Contemporary halo of grandeur

TAKE an eccentric French aristocrat, a Greek millionaire with a taste for building in marble, a group of American college athletes and a sturdy Greek farmer and you have the Olympian (or Olympic) Games of 1896.

Baron Pierre de Coubertin eventually chose Athens rather than the original site of Olympia in southern Greece as the right place to revive what he called "the *halo of grandeur* and glory that is the patronage of classical antiquity."

But apart from the track and field events, the sports he selected were thoroughly contemporary: fencing, cycling, gymnastics, swimming and even lawn tennis.

The setting was a horse-shoe-shaped stadium on what was then the outskirts of Athens which could hold more than half the city's population of about 130,000.

Mr George Averoff, a merchant from the Greek community in Egypt, made a bid for immortality by paying for its reconstruction in fine Pentelic marble on the foundations of an ancient predecessor. But it soon became known as the Pan-Athenaic stadium and Mr Averoff is remembered instead for buying a warship for the Greek navy.

Foreign creditors would never have stood for wasting money on sports

Tickets were cheap, though more expensive for the tiers closest to the royal box, where a galaxy of Balkan royalty was seated and, contrary to ancient practice, women were able to watch, but not to participate.

The Greek Government refused to provide any funds on the grounds that the country's foreign debt was so enormous that creditors abroad would never stand for wasting money on sports.

But some taxes did get waived and an issue of commemorative stamps brought in 400,000 drachmas, which was enough to pay for several torch-lit processions and gas floodlighting for the city centre during the 10 days of festivities.

It was clear from the outset that the Americans would have no trouble winning the track and field events, although no records were set – perhaps because of the blustery, showery March weather.

Tom Burke of Boston won the 100 metres in 12 seconds. Robert Garrett of Princeton picked up a discus for the first time and beat the Greek champion's best throw by seven inches. The spectators took it well, however, and cheered as the Stars and Stripes was raised.

"One Athenian daily paper explained the superiority of the Americans on the ground that they joined to the inherited athletic training of the Anglo-Saxon the wild impetuosity of the American Indian. Another, having observed the use of chewing gum, informed an eager public that the Americans had great endurance because they chewed pitch to strengthen their lungs," Burton Holmes, an American traveller, wrote.

But Greek pride was salvaged when Spyridon Loues, a 25-year-old farmer, won the first-ever marathon race. He covered the 26 miles from the ancient battlefield to Athens in 2 hours 58 minutes, including a stop for a glass of wine.

"Avalanches of applause came crashing down; the King of Greece so far forgets his royal dignity as to rip the visor from his royal cap in waving it like mad; tears of joy are shed; doves to which long white ribbons are attached are loosed and flutter in the air; all Athens utters a triumphant shout," Holmes wrote of the scene at the finishing line.

Germans won the gymnastic events, Hungarians and Austrians (competing separately) the swimming. The two British victories came in lawn tennis, played on a dusty court beside the columns of the temple of Olympian Zeus, and in an event mysteriously described as Lifting the Weight with One Hand.

KH

Kerin Hope looks at how the city's problems might be solved

A chance to save Athens

THE NEIGHBOURHOODS of Athens, encircling the Acropolis and spilling across the Attica plain, stand as monuments to the vicissitudes of modern Greek history and the failed hopes of generations of city planners.

To the north, gleaming white villas, many still under construction, climb the slopes of Mount Penteli in districts claimed by people who grew rich during Socialist rule in the 1980s. Suburbs nearer the centre filled up under earlier Conservative governments.

Western Athens, however, is an ugly sprawl of concrete apartment blocks, interspersed with scrawny olive trees. They were *built by villagers* who flocked to the city in the 1950s and 1960s as industry developed around the port of Piraeus. Roads, water and electricity were added later.

Towards Mount Hymettus to the east, houses built for refugees from the Asia Minor disaster in 1922 are still occupied, while better-off Greeks from Istanbul settled in seaside suburbs to the south.

Athens swelled from 2m residents in 1960 to 3.5m by the early 1980s when the influx was slowed by increasing prosperity in the provinces and growing awareness of the city's problems of air pollution, overcrowding and congestion.

Despite incentives for decentralisation, 47 per cent of Greek industry and 50 per cent of commercial activity is still concentrated in Greater Athens, according to the Environment Ministry.

The planners' calls for ring roads, playgrounds and parks were ignored during the construction boom, leaving the city with by far the smallest amount of green space, about 3 per *cent, of any European* capital.

In some districts, population density approaches that of Hong Kong.

The brown layer of smog known as the *nefos* (Greek for cloud) that hovers over the city in still weather is the most obvious sign of the city's afflictions. Athenians blame the *nefos for everything from heart* attacks to irritability and nausea.

Amy Trapakis

Shopping in Aioiou in downtown Athens

Although dust and sulphur levels in the atmosphere have been reduced, amounts of smoke and nitrogen rise above European Community safety limits on more than 40 days a year. Factories cut production and traffic is further restricted, but it still takes a stiff northerly breeze to disperse the smog.

The current master plan for Athens, *drawn up a decade ago, was revised* in 1985 and transformed into a law pledging to "improve the quality of life and protect the environment, stabilise and eventually reduce the number of residents, safeguard historical monuments and decentralise services."

But the Organisation for Athens, set up to co-ordinate its application, suffers from a chronic lack of funding, according to Mr Vassilis Harissis, its director.

"I plead and argue with different ministries, and some things get done, such as tree-planting and pedestrian areas. But the most serious problem is traffic and the big plans must be put into effect – the east-west highway and the Metro – for there to be real improvement," he says.

Vehicle emissions are held responsible for over 50 per cent of air pollution in the city centre. Buses and overworked taxis pour out black exhaust fumes, and few of the city's 700,000 private cars, which circulate on alternate days according to their number-plates, are fitted with catalytic converters.

Two years ago, the midday siesta was abolished and shops started working through the day in order to cut out two of the four weekday rush-hours. However, pollution levels showed little change. New measures under consideration call for restricting traffic in a much bigger area.

Both the highway project and a plan to extend the single underground line have been around for years. But if Athens succeeds in its bid to stage the 1996 centennial Olympic Games, the city's transport problems may at last be solved.

"Getting the Olympics is the best chance we'll ever have to save Athens. It'll be like fighting a war: there will be money and an incentive," says Mr Harissis.

Athens and Melbourne are considered leading contenders in a field that also includes Toronto, Manchester, Atlanta and Belgrade. The decision is to be made by the International Olympic Committee in September.

The first modern Olympics, organised by Baron Pierre de Coubertin, were held in a rebuilt ancient stadium in central Athens, used now for pop concerts and ice shows. The Greek bid for what is billed locally as "the Golden Olympics" is based on new sports facilities in Piraeus and northern Athens, which are already nearing completion since Athens will host next year's Mediterranean Games.

"With almost all the athletics installations in place, we'll be concentrating on transport and other infrastructure projects which will obviously be of long-term benefit to the city," says *Mr Christos Kourtis*, an architect and planner who helped prepare the Athens bid.

European Community funding will be available for the major projects, expected to cost \$2bn. The \$1.1bn Metro plan calls for two new lines, totalling 18 kilometres, with a showpiece central station beneath Constitution Square.

The west-east highway will link a new airport at Spáta, outside Athens, with the Olympic village to the northwest, which will later house 10,000 Athenians.

A huge archaeological park is to be created in the city centre, stretching from the Acropolis hill to the stadium used for the 1896 Games. It will include a new museum for the sculptures from the Acropolis temples, in which a gallery is to remain empty in the hope that Britain will one day send back the Elgin Marbles.

TECHNOLOGY

Richard Waters reports on the next leap forward for London's electronic stock market, starting with an upgrade of Topic

A Grand Vision of the way to leave the maze

Topic, the International Stock Exchange's share price and company news information service, was 99.91 per cent reliable last year – equivalent to being operational for all but 34 seconds each day.

That may sound impressive. But it has not won the exchange many friends in the stock market, where a system failure (especially if it occurs when market activity is at a peak) causes intense frustration. Hence the revamp of the 12-year-old Topic, which begins this week. The aim is to improve the system's reliability and the range of services.

The belated Topic upgrade is part of an overhaul of the exchange's systems which is likely to stretch over several years. This represents the second big phase of development of the electronic market; the first followed Big Bang in 1986.

The advance has all the hallmarks of a Grand Vision. Its begetters' aim is to revamp and tie together the exchange's various services to present a fully coherent market to users. Such Grand Visions have a habit of costing large amounts of money and involving customers in extensive (and expensive) systems developments of their own.

Yet the exchange insists that its plan can be achieved with little disruption to users of the market, and will actually deliver savings as inefficiencies in the existing scramble of systems are eradicated.

The Topic system has been run since its inception on 10 Modcomp minicomputers. When one develops a fault, another can be swung into operation to ensure continuity of service – but only after a 5 to 10-minute break to allow for the change. From Thursday, the exchange hopes these breaks will be a thing of the past as it transfers Topic to a new Stratus fault-tolerant machine.

A second cause of frustration has been the delays which often occur in processing share price quotes at times of peak activity. Despite the general flatness of the stock market since the crash of 1987, the peaks of activity get bigger and bigger. The record came last December, when market makers at one stage were in-putting 1,800 quotes a minute into the system.

With a capacity of 1,300 quotes a minute, Topic has been unable to cope. Delays of a couple of minutes have developed as quotes have crowded to get through too narrow a gateway and out to Topic users. This frequently leaves the exchange with little option but to declare what is known as a "fast market", under which market makers are no longer obliged to deal at the prices which appear on screen.

The new Topic can handle 2,000 quotes a minute "comfortably", the exchange says. After July, the capacity will rise again when three Stratus machines are in operation.

Besides these changes, Topic is due to get a facelift in the summer:

- Screens will carry real-time information. At present, prices are updated only every 50 seconds – a throwback to the days before Big Bang when exchange officials toured the market floor collecting prices to be put into the system, leading to inevitable delays. Alternatively, users have been able to press ** on their keyboards to have the most up-to-date prices displayed.
- Users will be able to create their own composite pages on screen – for instance showing a number of "yellow strip" or best prices at the same time on a single page. This will be done either from a new control terminal, which will be able to handle at least 16 screens, or by making requests directly to the exchange's systems staff.
- It will be possible to create limit minders, which will warn the user when a pre-set ceiling or floor for a share price has been reached.
- A new Topic screen will be available on which it will be possible to display four pages at once. However, users will be able to keep their existing terminals if they prefer.

The plan to re-engineer all the electronic services, of which the Topic upgrade is a part, is an important element of the exchange's push to strengthen its position as Europe's leading stock market. George Hayter, the market's director of services, is clear about the aim: "To build the most effective, best system in Europe" for handling everything from in-putting quotes to settling bargains.

Until now, the market's services have been developed piecemeal in response to immediate demand. The result, says Charley Cusack, systems development director, is that the market's users have to input the same information about a bargain into a range of different systems, none of which are compatible.

The exchange aims to replace this scramble with an integrated range of services delivered through a single communication link. According to this plan, first expressed last year in a paper called the Way Forward on Trading Services, all broadcast services would be delivered through one channel – Topic – while the market's users would be linked to the exchange's interactive IDN network, enabling the processing of bargains to take place without the existing duplication.

An example of the electronic maze through which information passes is the routing of quotes from market-makers. At one level, this is straightforward: UK equity prices are fed by market-makers into Seaq, the electronic trading system developed at the time of Big Bang, and then passed directly to Topic for dissemination to the system's 15,000 users.

Would that it were all so simple. Quotes for international equities traded on Seaq International do not go into the Seaq system, but are fed instead into Epic, a separate database.

These quotes are then passed forward to a system known as CRS, then to a Data General machine which builds them into pages and, finally, to Topic. Each stage brings the risk of bottlenecks or computer faults.

Confusing the picture is that 200 of the exchange's largest customers, using around 17,000 screens between them, take their information in computer-readable form from CRS rather than from Topic. To get to these people, domestic equity prices are diverted from Seaq to Epic before reaching CRS.

And these are not the only delivery channels. Some users – such as quote vendors like Reuters – can take raw price data straight from Seaq through a service known as Marketline.

Making Topic the sole route for broadcast information is now a high priority. The exchange is also working on eliminating the UK/international divide, possibly by switching Seaq International straight on to the machines that currently handle Seaq.

The Grand Vision of a single communication link with market users is a laudable one, but is it achievable without considerable cost? More pertinently, doesn't the exchange's current tangle of systems suggest that it lacks the capability to take on a grand strategy like this and win?

Hayter strongly defends the exchange from such charges of incompetence. The disparate array of systems was developed, under time and cost constraints, to meet piecemeal demands, he says. At the time of Big Bang, there was still a possibility that much of the market would remain on the stock exchange floor, so there was no perceived need for an integrated electronic market.

He also rejects as a "myth" the commonly expressed view that the exchange's staff have a poor record on big technological developments. Projects such as Seaq were achieved within budget and on time, he says, while Taurus, the long-delayed paperless settlement system, has been held up by political rather than technical problems.

None the less, the exchange makes much these days of its use of outside firms when working on particular projects. The design for the Topic upgrade was prepared by Software Sciences (the exchange is still in the process of choosing an outside firm to build the new system). Similarly, its new Regulatory News Service, to be launched towards the end of the year, is being developed by Logica.

A parallel concern of the market's users is likely to be the implications for their own systems. Many are already struggling with updating their back office operations, a process likely to take a number of years as Taurus is brought into operation. Will they be forced into even greater systems costs – at a time of squeezed profitability in the market – in response to a centrally imposed Grand Vision?

The answer from the exchange is a resounding "no". Users will not be forced to adapt, it says, but will have the choice, for the time being, of maintaining their existing links with the exchange. According to Hayter: "We don't believe in revolutions – we want to take the whole market forward gradually."

"WE MUST BE GETTING NEAR THE STOCK EXCHANGE."

Instant response to faults

DIGITAL Equipment Corporation, the US minicomputer manufacturer, is looking to consolidate its grip on the banking and financial services market with the launch of its first "fault-tolerant" computer system.

These computers, sold by companies such as Stratus and Tandem, of the US, are designed for applications where even a brief break in performance is unacceptable. They switch operations from one piece of hardware to another instantly when a fault occurs. Digital Equipment's Vax-ft 3000, model 310, will be available from this summer.

To go with the machines, Digital has announced software designed for the sort of transactions carried out in the retail and banking fields. Digital's distributed transaction manager (Dec-DTM) software has been written for companies which need to update databases on sites around the world.

- Although fault-tolerant computer systems are designed to avoid any "down-time", incidents such as the San Francisco earthquake and flooding in the UK have demonstrated that disasters – whether they be natural or man-made, such as a bomb – often cannot be withstood by electronic equipment.

To ensure a rapid resumption of business, Nexus Payment Systems, of Welwyn Garden City, and Cap-RS, of Walton-on-Thames, have launched the first disaster recovery service for Stratus and Stratus-compatible computer systems.

Customers will have immediate access to Stratus equipment which can be manned by the company's own staff or employees of Stratus.

Paper that can keep a secret

HOW DO YOU prevent your secret documents being photocopied or sent to commercial rivals by facsimile?

The answer is to use specially developed security paper, but until now that has been usually been a dark colour which can be offputting.

The Canadian company, Nocopi, has developed a security paper which looks like white business paper. Sections to be kept secret – either the whole document or just figures or prices, for example – are highlighted using a marker pen.

The ink in the pen is clear, but it reacts with the coating on the sheet to reveal an intricate pattern embedded in the paper. When photocopied or faxed, the light sensors in the machines are confused by the pattern and transmit a black line, rather than the numbers.

Although Sawk & Dunn, of London, are marketing the paper and pen system in the UK as a way of preventing the photocopying of sensitive documents, they also believe it could have broader applications. If a cheque, for example, were printed on the paper, simply running the pen across the surface would reveal the in-built pattern and so help to prevent cheque forgery.

A sweet discovery

A NATURAL sweetener that both cuts the calories and can be used as a food thickening agent sounds too good to be true.

Yet a substance patented in the US by the Idaho National Engineering Laboratories, part of the US Department of Energy, could be just that.

Scientists stumbled across levan as they tried to extract fructose, a natural sweetener, from sugar beet. Fructose is popular because, per calorie, it tastes nearly twice as sweet as sucrose.

The initial aim was to develop a process that would be cheaper than today's methods of producing fructose, which involves extracting it from corn. To do this the laboratories used two industrial processes.

The first uses enzymes which work on sucrose to break it down into its two constituent parts: glucose and fructose. The scientists discovered that the enzyme makes the fructose molecules stick together to form a fructose polymer – levan.

The second process involves extracting the levan to break it down into fructose particles.

However, the scientists believe that the second process may be redundant. Levan may prove to be the real find because many concoctions need a food thickening agent as well as a sweetener.

WORTH WATCHING

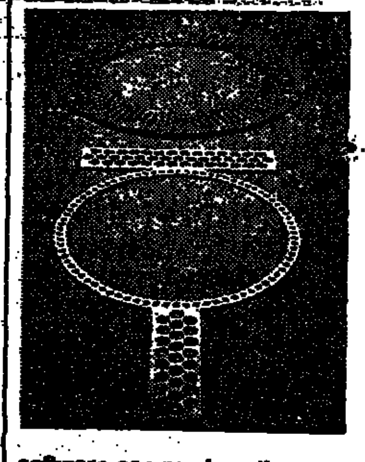
Edited by **Della Bradshaw**

Computer-aided jewellery

COMPUTER-aided design systems are usually associated with things that are large and greasy. But a London jeweller has used just such a system to design his latest collection – called Xingu after a river in the Amazonian rain forest.

David Watkins uses an Apple Macintosh II personal computer with a large screen and a Versacad design package, ordinarily used by draughtsmen.

Watkins says the computer system is very good for drawing designs with repeated shapes – the



software can produce the drawings almost automatically. And, he says, his intuition for a design can be rapidly put into effect.

An exhibition of Watkins's jewellery is taking place until April at the Birmingham City Art Gallery.

CONTACTS: Digital Equipment: US, 508 493 5111; UK: 0734 868711. Nexus: UK, 0707 325 122. Cap-RS: UK, 0932 241 402. Nocopi: Canada, 416 928 6888. Sawk & Dunn: London, 343 1199. Idaho National Engineering Laboratories: US, 208 526 0481. David Watkins: London, 341 1512.

MANAGEMENT: The Growing Business

Home-grown skills are a valuable asset

Charles Batchelor explains the advantages of taking a positive attitude to increasing the effectiveness of employees

Few topics, with the possible exception of bank managers, provoke as much passion among the managers of smaller firms as the subject of training.

"It's all right talking about training but where do you get the workers?" confided the exasperated manager of a small east London motor components supplier at the end of a recent government-funded training workshop.

This manager went on to tell the tale of the four young employees he had sent off on a six-week engineering course. The engineers met a group of trainee bricklayers while at the local training college and discovered that they could expect to earn twice the engineers' wage of £150 a month. Two of the engineers promptly decided to become bricklayers.

For all the encouragement that British business is given to increase the skills of its workers, the owners of many small businesses regard training as a problem in itself rather than as a solution to more fundamental difficulties their business may be facing.

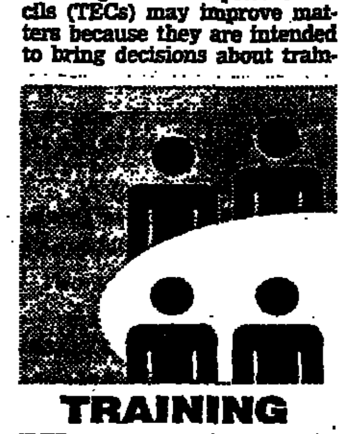
Ray Morton, director of Quality Training Advice for Business (Q-TAB), a south London training consultancy, says he comes across employers who have always got by by poaching trained staff from other employers with the offer of a bit more money. "Some take the view that the workers are only interested in beer and fags and that they can be replaced with a £1m machine from Sweden," he says. "They don't realise that their business depends on the quality of the staff who operate the machine."

The findings of many recent studies by organisations such as the CBI, the TUC and the National Institute of Economic and Social Research paint a gloomy picture of the reluctance of British companies to train their workers. This failure is blamed for the low quality standards and lack of competitiveness of a range of industries.

The Government's answer has been for the Training Agency to launch a range of training schemes, many of them tailored to the smaller company. The latest scheme, announced last April, was Business Growth Training, a £55m programme intended to help 100,000 small and medium-sized companies in its first year.

But the very diversity of programmes on offer may have made life even more difficult for the small business-owner. Few small companies have the resources to employ a personnel or training manager to evaluate the different options.

The Government's launch, last March, of a network of Training and Enterprise Councils (TECs) may improve matters because they are intended to bring decisions about training and small business issues down to a local level. But it is so far unclear how the TECs will work in practice.



With a sharp fall in the number of school-leavers expected during the 1990s – the total of 16 to 19 year-olds is forecast to drop from 3.5m in 1987 to 2.6m in 1994 – employers will face a tough struggle to find suitable recruits.

Small businesses frequently employ people who lack the qualifications or the qualities to appeal to large employers so it will be the smaller firm which suffers most from the forecast drop in the number of school leavers. Larger companies are already making efforts to improve training and wages and to appeal to groups such as older workers, women and the ethnic minorities.

Nevertheless, some small firms are adopting innovative training solutions to the problems they face. Jo Goodliffe, managing director and founder of Translatadata, an Oakham, Leicestershire-based translation agency, is currently putting the finishing touches to a 10-week training programme which would allow her to take on between 10 and 15 new translators a year.

This is extremely ambitious for a business employing only 14 people and with turnover of £250,000 but Goodliffe believes this is the only way to match the rapid growth of the translation market (she employed just four people a year ago) while at the same time providing the quality her clients require.

"It can take eight to ten years to learn translation skills," says Goodliffe. "It is a combination of experience and a knowledge of the subject matter." By formalising the training Goodliffe hopes to shorten the learning process. She puts the cost of the programme at at least £50,000, excluding her own time commitment, but hopes the Business Growth Training scheme will meet half the cost.

Elly Green, business development manager in the Leicester Training Agency office, says she detects an increased awareness of the value of training in the companies with which she deals. "The traditional industries such as engineering and textiles have dragged their feet a bit – though they were hit hard by the recession – but I have been quite encouraged," she notes.

Matters may be improving but smaller businesses still face more acute problems than their larger counterparts in training their employees.

● Managers of small businesses rarely have the time to step back from their day-to-day concerns to think strategically. The result is that many see training as a bolt-on option which is not central to their financial success.

Q-TAB's consultants found that the small firms they advised did not have a comprehensive approach to developing their employees' skills. Training was bought in to solve specific problems in areas such as sales, new technology and supervision. "A lot of companies think they have a business plan when what they really have is a financial plan for the bank," says Elly Green. "We say: 'Think about your people if you want to increase your turnover by 20 per cent. Think about succession planning and career development.'"

Jo Goodliffe: ambitious programme of training 10-15 people a year

Alan Harper

The first step towards developing a comprehensive plan is to carry out an audit of the company's training needs. This can be done with the help of consultants or by using a do-it-yourself pack for analysing business skills such as the one included in the Business Growth Training programme.

This lists 37 skills from advertising to VAT control, wage payment systems to telephone communication. An audit allows a company to identify areas of weakness, to draw up a timetable for making improvements and select the most suitable training.

● Small firms find it difficult to detach staff from their normal jobs to attend training courses so training sessions must be carefully planned. Price's Patent Candle Company, a South London company with 145 employees and sales of £6m, had to draft in its managers to supervise production staff when it sent 15 supervisors off for training one day a week for five weeks.

Jill Forsyth, personnel director, asked three local training colleges to devise a supervisors' course to include subjects such as time management, motivating people and discipline. She chose the college which was able to provide the training in one-day chunks to minimise disruption.

● Cost is a deterrent to many businesses. "Companies usually view training and personnel as cost areas which they cannot bear to look at," says Q-TAB's Ray Morton.

Training professionals suggest that firms switch their emphasis to look at the cost of not training their employees. Poaching from other businesses may appear the cheaper option but may boost the wage bill and lead to higher recruitment costs if the employees who have been poached move on after only a short time.

Peter Sharp joined Planned Maintenance Engineering, a south London supplier of heating and ventilation maintenance services, a year ago, as training manager. He has made improvements to the apprenticeship programme for service engineers and is working on training for administrative staff. Sharp says he does not expect to be able to quantify the financial benefits for 18 months but he believes the company is now able to promote promising employees more quickly and hold on to its staff more easily. More training will also enable the company to keep to the tough requirements of BS5750, the quality standard for which it qualified two years ago.

● Despite the range of courses available from public and private sector training organisations, smaller companies frequently have difficulties finding programmes tailored to their needs.

Many training colleges are not used to dealing with the small business community, are poor at marketing their services and are slow to respond to requests for training help, according to a recent report on Q-TAB's activities.

"All training programmes tend to lag behind advances in industry," notes Peter Sharp. "We require a mix of skills which is not met by any training course." Planned Maintenance, which has seen employee numbers rise from 300 to 675 over the past 18 months, is currently writing its own distance learning programme to update the technical skills of the engineers.

● The threat of poaching is used by many managers as a reason for not training their employees. "It is a classic dilemma," says Sharp. "You can run a mediocre firm from which no one poaches or you can train to have a good firm and accept that some get poached."

People who do train argue that it reduces the risk of losing people. Rob Lillystone, commercial director of Hambleden Group, a Tunbridge Wells, Kent-based consultancy, comments: "If you tell people you want to spend money on training them as part of a long-term career plan they are more likely to stay."

Correction

Motorola

The chart accompanying yesterday's article on Motorola which was headed Total Industry Profits should have read Total Industry Turnover.

Ambassadorial help in selling to Saudi

Anthony Moreton on a trade mission

The main lesson David John learned when he joined a trade mission to Saudi Arabia had nothing to do with selling his earth-moving equipment in the Middle East. He discovered that he was not as indispensable as he thought.

Even so, if you run a very small business it is necessary to touch base all the time. Charles Lester, of Charles and Patricia Lester, upmarket fashion designers in Abergavenny, was also on the Saudi trip; he says: "If both Patricia and I are away at the same time we make sure we ring every day.

Lester has 10 employees: John, managing director of Powerfab Sales and Spares, in Tredegar, has 70. Both agree that when it comes to winning overseas orders the problems of being away are far outweighed by the advantages of testing the ground in potential markets.

Being on a government-backed mission also has its advantages. John had been to Africa before under his own steam and returned virtually empty-handed. "But on the mission, with the work done beforehand by the embassy, I quickly made invaluable contacts.

"There were a dozen different firms waiting to say 'hello' to me in Jeddah. They came to our hotel, took me to their organisations and at the end of the trip I returned with some excellent potential distributors. Now it's a matter of picking the right one."

The two companies were part of a nine-strong trade mission from Wales to Saudi Arabia backed by the Government. Led by Peter Walker, Secretary of State for Wales, the participants declared themselves well-satisfied.

They returned with orders worth £7m. This may not seem a lot in the context of Britain's trade balance but for small companies in an area not especially noted for selling abroad it was a worthwhile start.

That conclusion is supported by Philip Lewis, managing director of Hedgehog Foods, of Welshpool, manufacturer of healthfood crisps. "The result was quite incredible," he says. "We had previously done a small amount of selling to the United Arab Emirates and I suspected there might be a market in Saudi Arabia. Going there proved not only that the market existed but that there were no more problems for a small company seeking export orders than for a big one.

"You must do your homework, though. We put Arabic on our packaging and we briefed ourselves on their food regulations. It's no good trying to sell something to a country if some of the ingredients in it are banned."

As a result of the mission Lewis expects to have Hedgehog crisps on the shelves in six main supermarket groups. "We should do £365,000 there this year alone. I am well pleased."

Peter Walker was also well pleased. "The mission was only the beginning of Welsh business activities with Saudi Arabia," he forecast. "From talks I had with Saudi businessmen and ministers there will be a flow of investment and trade between Wales and Saudi Arabia. Later this year we will be welcoming a powerful mission of Saudi businessmen to Wales."

All on the trip agreed that a senior cabinet minister leading the team had a beneficial effect. Powerfab's John says: "The minister's presence was invaluable. But we should not overlook the work put in by the embassy. Even the Saudi distributors mentioned how well the embassy had performed on our behalf."

Charles Lester goes further and acknowledges the work undertaken by the women in the embassy. "We make one-off garments; our dresses can cost £5,000 each. Your average bloke might blanch at clothes costing this much. But the ambassador's wife and the wives of other senior embassy officials know not just the value of these clothes but also the sort of people who will buy them. It's the wives in the embassy who make all the difference to people like us."

The importance of a mission for a small company is that it allows them into a market for little cost. "You simply have to footslog it around a new market," says Hedgehog's Philip Lewis, "if you want to succeed." The cost, subsidised by the Government, of about £2,000, makes it a cheap way of footslogging.

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COMMERCIAL FINANCE BROKERAGE

Embarking upon expansion programme seeking funding from merchant bank or private PLC.

Write Box F9607, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

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Independent International M&A consultancy provides confidential dedicated pan-European acquisition or partner identification, accessing all available databases, market research and broker network contacts.

Contact ALLEN CHEYETTE MA (CANTAB) ACA
EUROSEARCH M&A,
Dartmouth House,
119 Dartmouth Road,
London NW2 4ES,
United Kingdom.
Tel: (+44 1) 208 2223
Fax: (+44 1) 208 4557

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EXHIBITIONS

FOR SALE EXHIBITION EQUIPMENT

On instructions of the Receiver of Modernisation Ltd., large quantity of exhibition stands comprising around 3,000 various wall panels, *2,000 carpet tiles etc. Stored in W.* Yorkshire. Cost around £100,000. Offers invited for quick sale.

Tel: (0742) 750161

BUSINESSES FOR SALE

BRACKENGATE LIMITED

The Joint Administrative Receivers offer for sale the business and assets of Brackengate Limited.

The company provides residential care for the elderly.

- Turnover is approximately £3,000 per week.
- The company can provide accommodation for a total of 17 residents.
- The freehold accommodation comprises eleven single bedrooms and three double bedrooms together with relevant amenities.
- There are a total of fourteen employees.
- The premises are situated in Nutgrove, St Helens, Merseyside.

Offers are invited for the business and assets as a whole or in part. Further details are available from Stephen Akers or John Cowburn at the address below.

Touche Ross

PO Box 500, Abbey House, 74 Mosley Street, Manchester M60 2AT.
Telephone: 061 228 3456. Facsimile: 061 228 2021. Telex: 666040 TRMAN.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

FOR SALE THE PROPERTY OF VALESWOOD LTD

The Joint Receivers offer for sale the property of Valeswood known as Cedric House.

- The freehold accommodation comprises ten single bedrooms and three double bedrooms together with relevant amenities.
- The premises are situated in Ansdell villas, Rainhill, Merseyside, approximately 1/2 mile from the premises of Brackengate Ltd.
- From the premises the company continues to provide residential care for the elderly.
- The premises can provide accommodation for a total of 16 residents.

Further details are available from Stephen Akers or John Cowburn at the address below.

Touche Ross

PO Box 500, Abbey House, 74 Mosley Street, Manchester M60 2AT.
Telephone: 061 228 3456. Facsimile: 061 228 2021. Telex: 666040 TRMAN.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Three Related Companies
For sale jointly or separately
Central Southern England

Plant Hire Company

The above company hires plant and equipment for construction and associated applications.

- Projected annual turnover £800,000
- Well established in the region

Plant Sale Company

The above company sells plant and equipment and repairs contracting plant.

- Projected annual turnover £1.3m
- Several franchises covering Hampshire, Dorset, Wiltshire and Somerset.

Property Development Company

The above company owns a plot of land and a property.

For further details please contact:

Paul Gibson, Grant Thornton,
Barclays Bank Building,
1 Chapel Road, Worthing,
West Sussex, BN11 1SA
Tel: 0903 204511
Fax: 0903 820697

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

James Seddon (UK) Limited
(In Receivership)

The above company is a major supplier of shirts, blouses, dresses and outerwear to the retail trade.

- Turnover of £35m pa
- Skilled workforce of circa 2000
- 5 factories in the North West of England
  Manchester - Denton, Manchester - Piccadilly, Congleton, Denbigh, Flint
- 4 factories in Scotland
  Bo'ness, Denny, Falkirk, Mayfield
- Modern well maintained textile machinery

For further details please contact the Joint Administrative Receivers:

Allan Griffiths or Malcolm Shierson,
Grant Thornton,
Heron House,
Albert Square,
Manchester M2 5HD.
Tel: 061 834 5414
Fax: 061 832 6042

Grant Thornton

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G.A. Kirkham & Company Limited
(In Receivership)
Birkenhead, Merseyside

The company is engaged in the manufacture of bespoke timber pallets for the home and export market.

- 2.6 acre long leasehold property (99 year lease)
- Annual turnover 3.4 million
- 43 Skilled employees
- Prestigious nationwide customer base

For further details please contact the Joint Administrative Receivers:

David G Rowlands,	Allan Griffiths,
Grant Thornton,	Grant Thornton,
1 Stanley Street,	Heron House,
Liverpool	Albert Square,
L1 6AD	Manchester M2 5HD
Tel: 051-227 4211	Tel: 061-834 5414
Fax: 051-236 3429	Fax: 061-832 6042

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Ripaults Limited

The above company specialises in the manufacture of cable and the assembly of wiring systems for the motor trade.

- Three leasehold sites throughout the country
- Annual turnover in excess of £12 million
- Skilled workforce
- Substantial order book
- Prestigious customers
- BS 5750 Part 2 approved at all sites

For further details contact:

Allan Griffiths,	Iain Allen,
Grant Thornton,	Grant Thornton,
Heron House,	Grant Thornton House,
Albert Square,	Melton Street,
Manchester,	Euston Square,
M2 5HD	London NW1 2EP
Tel: 061 834 5414	Tel: 01 383 5100
Fax: 061 832 6042	Fax: 01 383 4715

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WREXHAM, NORTH WALES

RFI Suppression and Interactive System Manufacturers

The Receivers offer for sale, the business assets and goodwill of Recsam Components Limited and Vako Displays Limited, manufacturers of RFI Domestic and Automotive Suppression Products, *Filters, Metallised Capacitors, Monitors* and Display Systems.

Leasehold premises (factory/offices) approx. 95,500 sq ft, plant equipment, *stocks, £1.1m order book.*

For further information please contact Richard Smart or Kevin Singerton at Coopers & Lybrand Deloitte, Tudor House, 16 Cathedral Road, Cardiff CF1 6PN.

Telephone (0222) 239944
Fax (0222) 237720

Coopers & Lybrand Deloitte is the business name used by Coopers & Lybrand and Deloitte Haskins & Sells in the UK. The two firms are to merge on 29 April 1990.

Coopers & Lybrand Deloitte

NORTH SALMON SMOKERY LIMITED

The Joint Administrative Receivers offer for sale as a going concern the business and assets of a major salmon smokery in the North East:

- Prestigious customer base including major airlines and hotels
- fully equipped leasehold site in Peterlee (Co. Durham) incorporating smoking house and modern offices
- budgeted turnover for 1990 approximately £5m
- experienced workforce

For further details please contact
A J Katz or P Stanley
c/o Arthur Andersen & Co.,
St Pauls House,
Park Square,
Leeds LS1 2PJ.
Tel: 0532 416250
or 061 200 0297

ARTHUR ANDERSEN & CO.

FREEHOLD PETROL STATION FOR SALE

- Petrol company tie- 9 years to run
- South coast location
- Fuel sales - 1.2m gallons p.a.
- Shop sales £200,000 p.a.

PRICE £850,000

Goadsby & Harding

Ref. BPR
37/43 St Peter's Road
Bournemouth,
Dorset BH1 2JR
Telephone: (0202) 299399

SCAFFOLDING SWITZERLAND

Long-established modern scaffolding company with rapidly expanding manufacturing retail and contract hire divisions seeks merger or partnership in Switzerland with equivalent company.

Interested parties should contact:
Fax: 0242 677215
in confidence.

WORLD-FAMED SCANDINAVIAN FIRM OF EXCLUSIVE HIGH FASHION IS OFFERED FOR SALE.

The firm was established in 1785, and has more than 170 years of experience in the trade. Purveyor to the Court, with the right to use the royal crown as part of *its logo. A firm* with enormous potential for a financially strong owner, who aims at growth, high standing and world-wide renown. For further information, please contact:

BJORN STIEDL & PARTNERS
International business consultants, Strandvejen 116 A, 2900 Hellerup, DK-Denmark Telephone: 45 31 622 822, Telefax: 45 31 625 960

FOR SALE CLASS 10,000 CLEAN ROOM

Area 5000 sq ft with up to 25,000 sq ft of warehouse space. Also available, further clean areas of approximately 8000 sq ft with additional warehousing.

Close to M4, South Wales.

Write Box H5862, Financial Times, One Southwark Bridge, London SE1 9HL

RECRUITMENT CONSULTANCY

Niche Market Opportunity

The company has an exclusive contract with its industry's professional body - in the chemicals/materials field - and its name is synonymous with the body. Established just over two years *but still embryonic. 1989 turnover £60,000.* Trading name, contract, candidate stock and work in progress to be included in sale. Experienced consulting staff also available by negotiation. Outright purchase required. For further details write to

Box H5840, Financial Times,
One Southwark Bridge,
London SE1 9HL.

Are you looking to acquire a listed company for a reverse takeover or as an acquisition vehicle?

Contact Gammond & Company Ltd
Tel: 061 655 4347
Fax: 061 643 0931
Innovative Merger Brokers

FOR SALE

North west based security products wholesaler. 1990 projected turnover 500,000. Profitable, good potential base for expansion. Opportunity arises from group divestment. Further details available to named principals only

Write box H5848, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES FOR SALE

PETER FRANCIS PELL-HILEY, APPOINTED BY HER MAJESTY'S HIGH COURT OF JUSTICE OF THE ISLE OF MAN CHANCERY DIVISION

MIMOSAS BEACH CLUB LIMITED (IN LIQUIDATION)

Invites offers by 31 March 1990 for the company's assets, consisting principally of 720 timeshares in apartments located at Las Mimosas Beach Club, Mijas Costa, Spain.

Las Mimosas Beach Club is set in mature landscaped gardens, adjoining a sandy beach. The complex has a swimming pool, tennis courts, a beach club and easy access to shops, restaurants, bars and other leisure facilities.

The apartments are fitted and furnished to a high standard and all have a sea view. Satellite television reception is available in many of the apartments.

More detailed information is available from: David Phillips

KPMG Peat Marwick McLintock
c/o Heritage Court, 41 Athol Street, Douglas, Isle of Man
Telephone: 0624 23008 Fax: 0624 72768

Engineering Company For sale

Enquiries invited for an East Midlands engineering company specialising in structural design and fabrication work.

- T/O £2.0 million with adjusted profits for year £450K.
- 13 years continued growth.
- Assets include an order book in excess of £1 million.
- Freehold premises £650K may be made available under separate contract.
- Located close to good communication network.

Offers for company in region of £2.0m.

For further details please contact Andrew Newsum-Smith or Andrew Streeter, Grant Thornton, 30 Hounds Gate, Nottingham NG1 7DH.
Tel: 0602 483483
Fax: 0602 484504.

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Fire Trucks Limited

(In Administrative Receivership)

The business and assets of the above company are offered for sale as a going concern.

The company manufacture, using sub-contractors, the Barracuda and Marlin specialised airfield fire crash rescue vehicles.

The design, sales, marketing and administration functions are carried out from short leasehold premises at Mitcheldean, Gloucestershire.

There are 13 employees and the annual turnover is currently in excess of £2.5m. There is an order book of some £1.5m.

For further information, please contact:
Cyril W Nield, Joint Administrative Receiver, Cork Gully, Abacus Court, 6 Minshull Street, Manchester M1 3ED
Tel: 061 236 9200
Fax: 061 247 4000
Telex: 667257

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Cork Gully

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Write to box H5844, Financial Times, One Southwark Bridge, London SE1 9HL.

CARDIAC RECORDERS LIMITED

IN ADMINISTRATIVE RECEIVERSHIP

Offers are invited for this well established medical electronics company

- Freehold Premises in London and Sheffield
- Turnover Circa £2 million
- 30% of turnover exported
- 85 Employees

For further information contact the office of the Joint Administrative Receivers:

N J Hamilton-Smith and D J Mason
Morton Thornton & Co.
Torrington House
47 Holywell Hill
St Albans
Herts AL1 1HD
Telephone: 0727 38255

Morton Thornton & Co.

ASSEMBLER AND WHOLESALER OF FRAMED PRINTS GIFT PACKED SOAP AND TOILETRIES MANUFACTURER

BUDE, CORNWALL

The business and assets of Printworld (UK) Ltd and Cavendish Soaps and Toiletries Ltd are offered for sale by the Joint Administrative Receivers.

- Printworld 1988/9 turnover £439K
- Cavendish 1988/9 turnover £237K
- Plant and machinery, Office Equipment and Vehicles
- Trading stock
- Currently trading from 10,000 square foot leasehold premises where freehold may be available. The premises would easily split into three independent units.

For further details please contact the Joint Administrative Receiver: Richard Neville

KPMG Peat Marwick McLintock
Phoenix House, Notte Street, Plymouth, Devon PL1 2RT
Telephone: 0752 225381 Fax: 0752 266800

BOOTH WHITE

By Order of the Joint Administrative Receivers: Brian Mills and Colin George Wiseman

LINGHOLT COLOUR LIMITED, (In Administrative Receivership) LONDON, SE15

This superb modern sheet fed lithographic printing and finishing plant is offered for sale in modern ground floor production leasehold premises.

Plant includes Type R605 3B&LW "MAN-Roland" Five colour and two "Miller Johannisberg TP29S" Four Colour/perfecting Presses

For further information contact Allan Clark or Keith Cottam of Booth White

IRELAND

On the Instructions of Derek Earl F.C.A.
Ernst & Young,
Receiver of
BALLET INTERNATIONAL LTD (In Receivership)

For Sale By Tender as a going concern, to include

The manufacturing and distribution Business of Ladies Bras and Lingerie operated form a modern 62,400 sq.ft. premises at Dublin Industrial Estate, Glasnevin, Dublin 11

The Plant & Machinery comprising some 260 modern single unit sewing machines, Laminating Plant, Cutting Presses, Packing, Warehousing & Despatch Departments.

Brand Names, "Ballet", "Rumours", "Mystique" and contract work for major Irish & International retailers.

Extensive stocks of materials, trimmings and finished product.

Tender Date 12 Noon Thursday 8th March 1990
Inspection Strictly By Prior Appointment

Tender Documents & further information from
Solrs: WILLIAM FRY, Fitzwilton House, Wilton Pl, D2

GUNNE

FOR SALE

OIL INDUSTRY MANAGEMENT CONSULTANCY
Privately Owned Limited Company
Est. 1965
Mainly involved in the Middle East and the UK North Sea.
Immediate opportunities for expansion.
T/O £2.4m. Net profits 16% of T/O
Existing Tax losses.
Genuine enquiries from Principals only.
Write Box H5873, Financial Times, One Southwark Bridge, London SE1 9HL

CHRISTIE & Co

On the instructions of Messrs CTE Hayward and RH Oldfield, Joint Administrative Receivers.

A Central London Hotel Group.

A total of 237 rooms close to Marble Arch.
Combined turnover £2.3 million ex VAT.
Group Price £19.5 million

Hotel A
94 rooms en-suite, cocktail bar, seating for 50 persons, lifts. Valuable rental income of £125,500 pa
£9 million freehold

Hotel B
99 rooms all en-suite, bar, lounge, dining room, lift
£7.5 million freehold

Hotel C
44 rooms mostly en-suite, bar, lounge, dining room, disco, lift.
£3 million freehold

Contact Gerard Nolan

LONDON OFFICE
01-799 2121

Neurotech Limited

(In Administrative Receivership)

BUSINESS FOR SALE as a going concern

- international sales outlet for Neurotech neuromuscular stimulation equipment
- international sales outlet for beauty and fitness range of products sold under the name of Slendertone
- opportunity to purchase manufacturing subsidiary, with potential product development
- worldwide distribution network in existence
- current order book available
- direct mail order facility

For further details contact the Administrative Receiver:
Roger W Cork Esq, Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ Telephone: 01 606 7700
Fax: 01 606 9887 Telex: 884730 CORKY G

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Cork Gully

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B.S. 5750 : ISO 9002 Approved
Turnover £2 - £3 million
40000+ Sq feet in 2 Fabrication Bays
45 Skilled Platers/Welders
CNC Plasma/Oxyfuel Cutting and Profiling
Stress Relieving : Shot Blasting : Painting
25 ton Craneage
CAD/CAM

Interested parties should write to:-
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One Southwark Bridge, London SE1 9HL

Miller

COARSE FISHING HOLIDAY CENTRE & COUNTRY PARK SOUTH WEST

Nationally known venue in beautiful valley setting. 3 lakes and mill pond adjacent to licensed club house. PP for 70 holiday lodges. Touring/tenting site for 40 pitches. In all 23 acres.

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Fax (0872) 42455

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Ground floor present use retail - three upper floors under planning application for self contained office use - needing internal refurbishment
£485,000
Ian N Collins & Co *Chartered Accountants*
Fax - 0733-323122 Tel - 0733-323121
PRINCIPALS ONLY PLEASE

FOR SALE ESTABLISHED MOTOR DEARLERSHIP

(Inc. workshop and petrol sales) and freehold premises. Occupying central location in major Surrey town. Principals only should write to
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One Southwark Bridge,
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For sale with turnover of £1,000,000
Piece dyeing of natural and synthetic fabrics suitable for integration into an existing operation
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Worcester WR1 2EW.
Tel: 0905 22303

CARRINGTON COMPUTER CONSULTANTS LTD (IN ADMINISTRATIVE RECEIVERSHIP) FOR SALE

The assets and the business of the training division of the above company. Including 2,200 sq ft of superbly set out and furnished accommodation in Hatton Garden available immediately as an apple/IBM compatible computer training centre.
Three training rooms fully equipped with modern computer equipment.
For sale as a turn-key operation.

Contact:
The Joint Administrative Receivers
Anthony P. Locke/David R. F. Sapte
BEGBIES
6 Raymond Buildings, Gray's Inn, London WC1R 5BP

PARKGATE CORPORATION LTD
- Specialists for Germany -

The following German companies are for Sale:-

A. Wholesaler in Chemicals/Pharmaceuticals TO DM 160 Million.
B. Manufacturer of Punched/Turned Parts for Automotive Industry - TO DM 15 Million.
C. Producer of Plastic Carrier Bags - TO DM 8.5 Million.
D. Manufacturer of Greaseproof Paper, Aluminium Foil, Plastic Wrap etc - DM 29 Million.
E. Textile Mill (Cotton & Mixtures) - TO DM 35 Million.
F. Freight Forwarders (very profitable) - TO DM 6.5 Million and DM 11 Million.
G. Producer of Sausage Meat/Smoked Ham - TO DM 75 Million.
H. Manufacturer of Precision Parts for Oil and Gas Burners - DM 9 Million.
I. Manufacturer of Punched Components for Switches, Connectors etc. - DM 9 Million.
K. Manufacturer of punched gearbox parts etc. - T.O. DM 50 Million.

Fax: (0276) 691119 Telex: 859761

a firm of
Quantity Surveyors/Project Managers
FOR SALE
due to pending retirement plans of current principals
LONDON BASED - TURNOVER circa. £2m
HIGHLY PROFITABLE
Interested principals please contact
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One Southwark Bridge, London SE1 9HL

CHELSEA/FULHAM ROAD SW10 OWNER GOING ABROAD

Well established restaurant for sale. Top condition seating 50-55. Offers in the region of £265,000. Turnover £250,000 p.a. Six nights only. Scope for increase. Lease 14 years from June 89 renewable. Low rental £12,500. Offered as a going concern.

FREEHOLD HOUSE WANDSWORTH BRIDGE ROAD

Completely refurbished. Six bedrooms, two Kitchens, two bathrooms. Ideal letting house £175,000.
For sale separately
Telephone: 01-373 1729

WELDING DISTRIBUTOR FOR SALE

Independent welding distributor - Midlands region - turnover approximately £1,000,000 with profits around £100,000. Superb location on motorway network to include 7500 sq. ft. office and warehouse. Offers invited

Write Box H5851, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

OWNER RETIRING

LONG ESTABLISHED WOODEN COMPONENT MANUFACTURER
- Midlands -
Very profitable with good order book. First class customers. 40 staff. Considerable potential for business growth. Valuable modern plant and freehold factory. Offers over £1.6 million. Cash sale required. For details write to
Box H5841, Financial Times,
One Southwark Bridge,
London SE1 9HL.

LAST YEAR IN THE U.K. OVER 2 BILLION NAPPIES WERE CHANGED THE OLD FASHIONED WAY
-NOW THERE'S A BETTER WAY!

Company for sale with new innovative baby care product, patents pending. Exceptional worldwide sales and profit potential. Retails £40-£50. Mainly plastic injection moulding. Further £300k. needed to bring it to market. Very experienced management team with excellent track record, willing to stay. Responsible for one of the DIY industries most spectacular new product success stories, we are now set to revolutionise the nursery market.

Write to Box H5859, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

A unique opportunity to purchase a highly profitable Pizza Manufacturing Company in the London area.
Current turnover is £350k with a potential capacity of £2.1m.
The successful purchaser will be awarded a substantial 4 year contract for the supply of Pizzas to the current owner, a very successful Company in the food industry.
Principals only write in confidence to
Box H5846, Financial Times, One Southwark Bridge, London SE1 9HL

By Order of the Administrative Receiver P J Hughes-Holland Esq of Messrs Hughes-Holland and Company

RE: APEX INVESTMENTS LIMITED - (IN ADMINISTRATIVE RECEIVERSHIP)

Offers are invited for this unique Toiletry Manufacturers including: Air Freshners Toilet Cleaners Etc... Based in Bracknell - 'Blue Chip' customers and a potential turnover of 1.5 million - in the first year.
For further information contact ref: RC of Jame Owen and Company - Tel: 01-458 5545 or Fax: 01-458 0696.

The generating set activity of a small electrical contracting company is available for sale, manufacturing petrol and diesel generating sets up to 12kVA. Based in the North of England, the well established and profitable business has a projected turnover for 1989/90 of over £0.5m with a strong customer base.

Serious enquiries write Box H5868, Financial Times, One Southwark Bridge, London SE1 9HL

TOP UK COMPUTER RECRUITMENT CONSULTANCY

Old established Home Counties based company with a long list of major blue chip clients. A thriving business consisting of both permanent & contract divisions with top calibre consultants producing a turnover in excess of £3m. + substantial profits. For further details write to
Box H5858, Financial Times,
One Southwark Bridge,
London SE1 9HL.

FOR SALE
SOLIHULL, WEST MIDLANDS
FREEHOLD INDUSTRIAL PREMISES
20,000 Sq Ft comprising workshop, warehouse, offices. Owners at present operate a manufacturing business with a profitable 1.5 million turnover. Directors/shareholders retiring. Offers over £1 million for 100% shareholding.
Principals only please write Box H5860, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUILDING COMPANY FOR SALE

Well established business with t/o approaching £2m. Excellent reputation in busy S.Coast location.
ASTRA MANAGEMENT LTD
BUSINESS SALES, DUNNOTTAR, FAIRWARP, E. SUSSEX, TN22 3BT 0825 712953

Trading Company for Sale

Well established, £2M p.a. turnover in industrial raw materials. Subsidiary in Chile and agents throughout South America. £150,000 tax losses available. Suite company wanting immediate presence in South American market.
Write Box H5854, Financial *Times, One Southwark Bridge,* London SE1 9HL

FOR SALE Commercial Vehicle Repair Workshop - North East

Small purpose built modern freehold workshop on growing industrial estate close to A1 in North East England. Turnover at £150,000 and profitable with reliable staff. Propose purchase price more than covered by unencumbered property and fixed assets.
Details Write Box H5870, Financial Times, One Southwark Bridge, London SE1 9HL

FRANCHISE MOTOR DEALERSHIP FOR SALE

Major and expanding European Car Franchise. Garage and Filling Station. Valuable Freehold site in thriving industrial area North-West England. Turnover £1.7 million and rising. Offers in excess of £500,000. Principals only.
Tel. Lakey & Co. 0423 531611 for full details

UP MARKET SOCK MANUFACTURING COMPANY FOR SALE

Well established, 3 million turnover. Good Order book. Plenty of potential. Sale due to lack of working capital. Situated in the Midlands.
Principals only write to Box H5839, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUSINESSES FOR SALE

FOR SALE
STEEL PROCESS PLANT
Designers & Manufacturers

BEY ENGINEERING CO. LIMITED

(In Administrative Receivership)

- West Midlands location
- Turnover £11 million
- *Freehold property*
- Turnkey projects
- Skilled workforce
- In-house design facility – Comac, A.R.M., FRED CAM products

For further information please contact A.P. Peters or R.H. Brown at the address below.

Touche Ross

Kensington House, 136 Suffolk Street Queensway, Birmingham B1 1LL.
Telephone: 021 631 2288 or 0384 265080. Telex: 338876 TRBHAM G. Facsimile: 021 631 4512.

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For BUNK read BLAST

William Packer reviews the Independent Group at the ICA

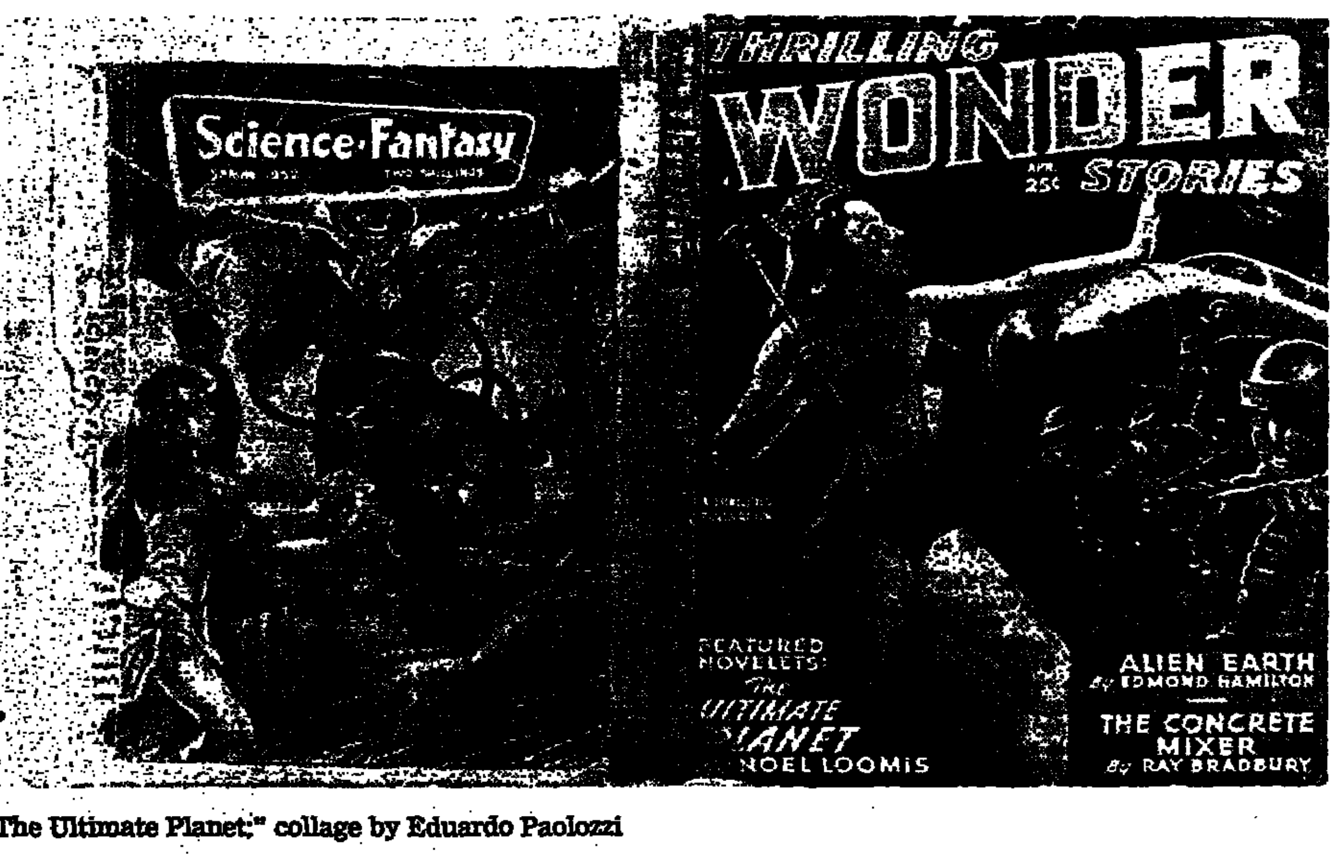
The Independent Group was a small and informal collaborative association of artists that came together in the early 1950s under the aegis of the *Institute of Contemporary Arts*, at that time based in Dover Street. Its work is now celebrated in an exhibition at the ICA, as we know and love it in the Mall (until April 1, then on to Valencia, Los Angeles, Berkeley and Hanover, New Hampshire), in an exhibition portentously subtitled *Post-War Britain and the Aesthetics of Plenty*.

As a trip down Memory Lane it is intriguing and enjoyable, with all its occasional irritations. Slight and dated as so much of the work now seems in its quality of innocent and unself-conscious earnestness in the unforgiving spaces of the present ICA (so different from that cramped upper room in Dover Street), it says much of what has been lost in those 30 years.

Oh Brave New World that had such people in it – Eduardo Paolozzi with his simple magpie delight in the cumulated imagery of illustrated magazines, American magazines especially; Richard Hamilton with his more ironical and sociological reading of the same material; Nigel Henderson carrying on as it were from the pre-war Mass Observation Unit with his fascination in the street life and shop windows of Bethnal Green; the Smithsons, Alison and Peter, with their simple faith in the planned and redeveloped city. Technology was a good thing, science better still, and the millennium was upon us. Oh dear. In a newly-greened and disenchanted age, it is too easy to mock.

This work of the 1950s, with its peculiarly British trick of working from the ideal rather than the reality, at once futuristic and nostalgic, founded in this case in wish-fulfillment at second hand rather than in any direct experience of American culture itself, has usually been as taken as the earliest stirrings of Pop Art. Here it all seems to look back rather than forward, obviously enough to Dada in the general and sophisticated use of collage and in its gleeful bizarrity; and more unexpectedly perhaps, yet even more positively, to futurism and the Vorticist polemic of BLAST, 40 years before. Wyndham more than any one is the ghost at this particular feast.

To bang on so earnestly now about "the Aesthetics of Plenty" is to overstate the case, but then that has always been a very ICA sort of thing to do. We can read too much of "the dynamics of the urban environment, actual and imagined," that we are told were explored by the Smithsons in the large display grille they made for the International Congress of Modern Architecture in 1953. In it they set out, under several headings, some of Henderson's photographs of street life with their own drawings and plans for their ideal city: all very well as an exercise in documentary display, but manifestly an object more of its parts than its sum. Indeed, all the reconstituted displays from the exhibitions that the Group organised through the 1950s, most notably *This Is Tomorrow* at the Whitechapel in 1956 which here fills the Upper Galleries, seem flimsy and insubstantial. The excitement, the enthusiasm, the conviction which must then have informed them, with all the immediacy of current engagement and debate, have quite gone, leaving only an evocative shell, a shell worth showing, even so.



"The Ultimate Planet;" collage by Eduardo Paolozzi

Yet the quality and interest of the works of individual members of the group throughout the show remain gratifyingly strong. They offer a salutary reminder of the obvious truth, but one sometimes too easily forgotten, that in the end it is never the group of artists, theorising away and declaring itself collectively in manifesto and polemic, that makes the art, but the artists alone in the particular and close engagement with their work.

Paolozzi's "Bunk" lecture is long gone, whether or not, like the Independent Group itself, it really did constitute "a full-frontal assault on the cosy consensus of post-war British culture;" but the collage material he presented, with such ebullient visual, schoolboy greed, to make his point is as potent and delightful as ever. Nigel Henderson was a truly distinguished photographer, the Smithsons, Reyner Banham, James Stirling all significant in their contribution to British architecture in the later 20th century, Lawrence Alloway and Toni del Renzio distinguished critics. The collages and montages of Richard Hamilton in this period clearly prefigure those of the early 1960s, which was his best period of all, for all his later reputation. And William Turnbull, too, has never done anything better than these early, mysterious, deceptively simple sculptures of lumpen heads and totems, that are shown here.

Their collaborative achievement was more ephemeral than real, which is in the nature of the beast. James Stirling remembers the Independent Group "as being more social than intellectual," and suspects a division "between those who saw the IG in social terms and those who saw it in public relations terms," putting himself definitely in the social category. William Turnbull cannot separate it in his mind from the ICA of that time, and doubts if it would have existed but for Dover Street as a meeting place. Indeed: the ICA, in growing so large and impersonal, lost its quality as an active club and catalyst of the arts long ago and there has been no successor to the Independent Group, no coming together of like minds with a common purpose across the disciplines of the arts, even for the shortest time. Who is to say whether that is a loss or not?

What did it all stand for? Today it is easier to think more of what the Independent Group was against. The exhibition leaflet tells us, in a bevy of quotes, that it was against "YESTERDAY, WAITING IN LINE, THE PASTORAL, THE BRITISH ESTABLISHMENT, THE ICA ESTABLISHMENT, CLASS, GOOD TASTE, HIERARCHIES, THE FAILURES OF HUMANISM, very good clothes that last for ever." For BUNK read BLAST, which is as fair an epitaph as any.

Drogheda memorial concert

COVENT GARDEN

Sunday night's concert was given in memory of Lord and Lady Drogheda – Garrett, 11th Earl of Drogheda, and his wife Joan – who both died last December, within a few days of each other (she first, he afterwards). Lord Drogheda was Chairman of the Board of the Royal Opera House from 1958 to 1974, and Managing Director of this newspaper from 1945 to 1970. So it was entirely appropriate that both institutions should have come together to remember him: the Royal Opera to provide its orchestra and chorus, a selection of its most noted regular singers, and the conductor – Georg Solti – most closely associated with Drogheda's period of office at the House; the Financial Times (and The Economist, with which he also had a close relationship) to underwrite the occasion (jointly in aid of the opera house Benevolent Fund and the Alzheimer's Disease Society).

It was a serious but not a solemn affair, and therefore just as it should have been. For Lord and Lady Drogheda were serious but not solemn people: serious about the arts of music and dance and the art (for it is that, no less) of creating a newspaper, serious about making those enterprises flourish, serious about achieving and then maintaining high standards. But both were also people of irresistible charm, wit, broad culture and sophisticated viewpoint. Anything too heavy or ill-balanced in the way of an occasional Covent Garden celebration or gala (of which Garrett Drogheda was complete master and incomparable master-of-ceremonies) bored them – and, no doubt, would have, here.

Sunday's concert would probably have pleased them. It had the right kind of variety: excerpts from Verdi (*La traviata*), Beethoven (*Fidelio*), and Strauss (*Der Rosenkavalier*) operas; a selection from Prokofiev's *Romeo and Juliet* ballet score (curious, though, that it was not danced); a Mozart piano concerto, played with eloquence and delicacy by Murray Perahia, and offered in particular reflection of Joan Drogheda's own serene accomplishments as a pianist and her own work on behalf of music and music students; and – as bonne bouche – the debut appearance of Benjamin Moore, aged 6, a Drogheda grandson and a Suzuki-trained violinist, who played a Dvorak violin solo with delightful sang-froid.

Sir Geoffrey Owen, the FT Editor, and Dame Ninette de Valois both offered lively quick sketches of the man – the "thorough nuisance" who prodded and goaded and coaxed people into doing what he wanted, which was almost always to make decent achievements good, and good ones excellent. There was much recall, by both speakers and also in Andrew Porter's affectionate brief programme-note reminiscence, of the "Drogheda-gram" – that short, often sharp-pointed missile trained on employees of both institutions, the newspaper and the opera house, when the quick Drogheda eye or ear had noticed something that needed instant attention, or, equally often, when some suspected fall from grace or high standards of accuracy or fairness needed pointing out.

As Lord Drogheda was the particular champion of the FT Arts page – he invented it, in 1953, and watched over it, vigilantly, long after his retirement from newspaper duties – this may be the moment for an FT critic to recall (as so many other people no doubt can) that there were also Drogheda-grams of another kind. When he thought that something had been well done – a review carefully considered and expressed, say, or a fresh, honest response to something new or unfamiliar in the world of opera and dance – Drogheda's praise was unfettered, and a joy to receive. He was this page's friend as well as its monitor, and he became a friend to most of the contributors thereto who knew him: the sight of that elegantly curved figure and its peculiar loping movement was always a pleasure, as would be the conversation that followed. It is not only the present writer who benefited inestimably from his (often entirely unexpected) acts of generosity and simple kindness.

Likewise, Sunday's music-making would probably have caused a shower of the second kind of Drogheda-grams. Solti, on spry form, and such singers as Gwyneth Jones and Reiner Goldberg (in the *Fidelio* finale) and all three of the *Rosenkavalier* closing trio and duet – Felicity Lott, Anne Howells, Lillian Watson – would have been assured of them (there would probably also have been one to the Royal Opera management to find out why the Octavian of the marvellous Miss Howells had not been seen in this theatre before). The concert was, as Andrew Porter predicted it would be, a "rejoicing in gratitude;" and certainly the spirit of both Droghedas was captured during its course.

Max Loppert

Single Again

KING'S HEAD, ISLINGTON

Dillie Keane, who for seven years was attached to the piano in Fascinating Aida, is *Single Again*. Its a happy release. Ms Keane was always the strongest performer in the female trio, contributing most of the songs and the excitement. Now let loose in a one woman show she can give Victoria Wood a run for her money.

Her act at the King's Head starts by hitting a few easy balls out of the ground with her description of her convent childhood – the Catholic Church seems to exist to supply comedians with material – but soon a more sombre depth is plumbed, as she exposes layers of feeling quite outside the scope of the jolly Ms Wood. But then Dillie Keane has a much more interesting face, capable of collapsing like a damp meringue.

It collapses to good effect when she views the world as a lone woman in her thirties in songs like "Middle Age" and "Single again." Within the humour there is more than a hint of desperation. But the most affecting, most disturbing moments come in "Roneo Letters." It starts as a joke against the new practice of sending at Christmas duplicated letters to friends addressed "Dear Everyone" and giving a family run down of the year. But the banter gives way to a cry of anguish as the writer unconsciously *reveals* the unhappiness behind the positive tone.

There is much of the music hall entertainer about Dillie Keane. She plays a good drunk, in "Sous les ponts de Londres" which develops into a political statement, and in "Charity" exposes the society ladies who measure the success of the charity balls they organise by the size of the photograph in The Tatler. With Andrew Faulkner freeing her from the piano she can lob in some anecdotes – about her hatred of New York and the wit of Ron, the Australian Bus Driver.

Dillie Keane is among her own in an Islington cabaret bar, but there is enough of the unexpected about her, not least her lack of side, to embrace a wider audience. She is more interested in her own frailties, and those of other people, than in politics, although the ways of the world, from the loneliness of the Queen to the Channel Tunnel, cross her firing line. All in all a sparkling performance.

Antony Thorncroft

Blackburn prize

British playwright Lucy Gannon has won the 12th Susan Smith Blackburn Prize for *Keeping Tom Nice*, her first stage play. Currently Resident Writer at the Bush Theatre, she wins £5,000. The runner up was Winsome Pinnock for *A Hero's Welcome*, also a first play. She receives £1,000.

Tartuffe

NATIONAL THEATRE TOUR

If the mark of a great play is durability then *Tartuffe* is one of the best. It is also one of the most amenable to cultural tinkering. In the last few months I have seen it transported very credibly to sectarian Ulster and now to the Indian sub-continent.

The play, in both cases, has undergone a sea-change, but its spirit remains – a tough, unassailable kernel of satirical scorn which is just as uncomfortable today as it was in Molière's own time.

Jatinder Verma's adaptation for the National Theatre (which I saw at the Gardner Arts Centre, Brighton) places it within the Indian storytelling tradition, as a tale recounted for a bigotted emperor by his court poet. So, Tartuffe – a self-flaggellating fakir in saffron dhoti played with stomach-churning noxiousness by Nizwar Karanj – guzzles Indian delicacies while Orgon's wife fights off a painful attack of dum-dum fever and his daughter, Munmauji, awaits the airborne messages of her pigeon-racing fiance, whose ejection from family favour is blamed on his fondness for dancing girls.

The familiar – and some less familiar – frolics are played out with considerable athleticism in the shade of an airy white tent to a sitar accompaniment which underpins the essential musicality of Indian popular theatre.

Nizwar Karanj as Tartuffe

Movement is choreographed into a reflection of character and situation, with funny walks, high kicks and somersaults giving substance to the comedy but also anatomising the development of the plot in a way that is actually very close to the spirit of the original.

Quite rightly, Verma does not deal in character so much as attitude: Ayub Khan Din's Orgon, for instance, is a personification of foolish bigotry defined in relation to his betrayal of wife, daughter and son, while Shelley King's delectably roguish maidservant – the jewel of the show – is a grinning flurry of hands and feet, in everyone's way until they want to hit her.

The adaptation also rings true linguistically, with Molière's own verse echoed a dialogue which rises into stretches of poetic rap, some of it very funny and cleverly amenable to changes of pacing and mood.

The piece is least successful when it becomes too lavatorial (Tartuffe is as obsessed with his bodily functions as the pigeons are oblivious to them), or too exuberantly cross-referential (a passage of punning on *Hamlet* seems oddly inappropriate).

But at its best, it is strikingly and enrichingly apposite, saving its coup de grace for the final pay-off in which the poet, mischievously and at considerable personal risk, ends his play with Orgon and family leaving their house as penniless exiles. The emperor (Orgon in a mask), predictably, does not like it, complaining that he wants a "beautiful" ending. So a flattering postscript is tacked on which approximates to Molière's own cynical interjection of the Sun King's emissary to save the day.

The point of this is quite clear: today, as in Molière's own time, bigots do not like the truth and they are prepared to enlist a phony aesthetic to the cause of perverting it. Politics and art, as we have recently rediscovered to our cost, cannot be easily separated.

Claire Armitstead

Nash Ensemble

WIGMORE HALL

The Nash Ensemble has always been true to the generation in which it was formed. The group is celebrating its 25th anniversary this year and in each of the concerts in its Wigmore Hall season it has been presenting the premiere of a work by one of those British composers whose work has grown to maturity over the same period.

In this penultimate recital the "birthday piece" was a three-part chaconne for string trio and piano left hand by Colin Matthews. Not a celebratory offering in spirit perhaps; but it was well plotted in character, with the strings passing the mournful chaconne theme between them, while the flamboyant single hand of the piano provided the dramatic catalyst of events. The work lasted only ten minutes and used its time well.

It also made an interesting contrast with a tenth anniversary present that had been written for the Nash Ensemble in 1978 and was being given an attractive revival here. This was a group of Six Russian Folksongs in an arrangement by John Tavener that sprinkled the pieces lightly with sugar and turned them into bon-bons almost as sweet as the Songs of the Auvergne. Evidently a tenth birthday is a less serious affair.

For the rest the evening comprised one of those cleverly thought-out Nash programmes in which each item is linked to another. The Taverner settings were coupled with a genuinely Russian cycle, the Seven Poems of Alexander Blok by Shostakovich – the haunting escape into night's fears and hopes that was given so impassioned a performance on the South Bank by its dedicatee, Galina Vishnevskaya, and her husband Rostropovich soon after they were forced to leave the Soviet Union.

The soprano Jill Gomez, Saturday's soloist, cannot unleash that kind of visceral intensity. But she did sing the cycle with a shapely feeling for phrase and colour, complemented in the instrumental parts by a rhythmical buoyancy that was to serve the players no less well in a vital performance of Shostakovich's Piano Quintet afterwards. One final recital – the French one, a Nash speciality – brings the anniversary season to a close next month.

Richard Fairman

SALEROOM

Johns rules the roost

The demand for contemporary art, especially in the US, seems to be insatiable at the moment and Christie's auction of good, but not first class, work over the weekend topped $11.5m, (£6.7m) with only 10 per cent unsold. Jasper Johns continues to rule the roost and an oil, graphite and black chalk version of "Alphabet," on paper, almost doubled its estimate at $572,000 (£334,000) to a trade buyer.

Joan Mitchell is an artist enjoying a boom and "Summer slide," a mass of plum colours on a white background, sold for $418,000 (£244,000). "Untitled," a brownish red canvas by Barnett Newman, fetched the same price. The surprise of the sale was the price of $319,000 (£186,500), double forecast, paid for "Thermopolae," a 1985 diptych in enamel, acrylic and wax crayon, on a vaguely archaic Greek theme, with a modern expletive, by Jean Michel Basquiat.

The diamond market is improving judging by the price of £2.8m which Sotheby's secured in St Moritz on Saturday for a fancy pink stone of 20.62 carats. It was the fifth largest fancy pink to be offered at auction, and was bought by the dealer Moussaieff.

The auction totalled £10.2m.(SF25.6m), with just 14 per cent unsold, which suggests that the very rich, congregating in the Swiss resort for the skiing, are feeling in an expansionary mood. An unmounted step cut diamond of 21.82 carats made £288,000 and a peach shaped diamond of 10.06 carats, £245,000.

Antony Thorncroft

ARTS GUIDE

February 23-March 1

OPERA AND BALLET

London

Royal Opera, Covent Garden: *Don Pasquale*, in the facetious Jean-Pierre Ponnelle production, is revived with a highly successful and attractive cast – Paolo Montarsolo, Katheen Battle, Thomas Allen, and Raul Gimenez. Last performance of the new production of Borodin's *Prince Igor* by Andrei Serban, conducted by Bernard Haitink.
English National Opera, Coliseum: David Pountney's polemical *Traviata* production continues in repertory, with Helen Field in the title role, and Alan Opie and Edmund Barham as the Germonts. Also the latest the return of *The Mikado* and the last in the current run of Berlioz's *Beatrice and Benedict*.

Paris

Paris Opera. Leningrad's Kirov arrives with a *Soirée Balanchine* and with Helena Pankova as its star. (47425371).

Amsterdam

The National Ballet with *Swan Lake* choreographed by Rudi van Dantzig and Toer van Schayk after Petipa and Ivanov. Muziektheater (255 455).

Brussels

Théâtre Royal de la Monnaie. The Monnaie opera in Mozart's *Il Seraglio* staged by Ursel and Karl-Ernst Herrmann, conducted by Emil Tchakarov, co-production with the Vienna State Opera.
Cirque Royal. The Polish Bydgoszcz State Opera in Verdi's *La Traviata*.
Italian Cultural Centre. Albinani's *La Serva Astuta* staged by Franco Scarangella, Fons Van der Linden conducts the Wolteche Chamber orchestra.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera with La Chapelle Royale Orchestra and chorus conducted by Philippe Herreweghe, staged by Isabelle Pousseur (Fri).

Liège

Théâtre Royal. Royal Wallonia Ballet in La Fille Mal Gardée choreographed by Janine Van Boren (Fri).
Théâtre Royal. Royal Wallonia Opera in Mozart's abduction from the *Seraglio*, a co-production with the Ludwigshafen Theater im Pfalzbau staged by Rudolf-Christian Sauser.

Milan

Teatro Alla Scala. Nicolaus Lehnhoff's production of Wagner's *The Mastersingers* conducted by Wolfgang Sawallisch. (Wed) (80 91 26).
Teatro Smeraldo. The Scala Ballet Company performing modern dance (at last) in this new and central setting: *Troy Game*, a satire which Robert North originally created for the London Contemporary Dance Theatre, Balanchine's *Square Dance*, and Ben Stevenson's neo-classical *Three Preludes* with Oriella Dorella and Francisco Sedene. (6570734).
Teatro dell'Elfo. *Le Bleu-Banc-Rouge et le Noir*, a puppet-opera by Anthony Burgess, with music by the young Torinese Compose Lorenzo Ferrero, done in co-production by The Scala and The French Cultural Centre in Milan for the Paris Festival d'Automne. (65707341).

Rome

Teatro dell'Opera. Promising production by Francesca Zambello of Richard Strauss's *Ariadne auf Naxos*, conducted by Gustav Kuhn is unlikely to take place due to strikes (47 17 55).

Venice

Teatro la Fenice. Excellent production by Patricia Gracis of Donizetti's *Don Pasquale*, conducted by Gabriele Ferro, with skilful characterisation of the leading roles by Enzo Darra, Barbara Hendricks and Claudio Giombi. (5210161)

Trieste

Teatro Verdi. Luciana Savignano dances the lead role in two works based on well-known operas: *Butterfly*, with choreography by Paolo Bortoluzzi, and *Carmen* with choreography by Alberto Alonso (63.19.48)

Berlin

Opera. Concert version of la *Sonnambula* with a strong cast led by Iris Vermillion, Lucia Aliberti and Francesco Ellero d'Artegna. Julia Varady repeats her much praised Violetta in *La Traviata*.

Hamburg

Opera. The new *Lady Macbeth Von Mzensk* production has Olivia Stapp, Jan Blinkhof, David Griffith and Hubert Bischof excellent as leads. *Tosca* with a strong cast led by Maria Guleghina in the title role, Luis Lima and Juan Rons.

Frankfurt

Opera. Shostakovich's *Die Nase*, produced by Johannes Schaaf, will have its premiere this week with Ilse Gramatzki, Alan Titus, Bodo Schwanbeck and Uwe Schwenbeck. The successful *La Clemenza di Tito* production of the Lievi brothers returns.

Bonn

Opera. Jean-Claude Riber's curious new *Macbeth* production, superbly conducted by Gianfranco Masini, features a splendid cast of principals: Elizabeth Connell, Eduard Tumagian and Francesco Ellero d'Artegna.

New York

Metropolitan Opera. James Levine conducts the season premiere of *Die Entführung aus dem Serail* in John Dexter's production with Mariella Devia, Barbara Kilduff and Gosta Winbergh. Performances continue of Gian Carlo Menotti's production of *Manon Lescaut* conducted by Thomas Fulton with Mirella Freni, Peter Dvorsky and Italo Tajo. Charles Dutoit conducts Nathaniel Merrill's production of *Samson et Dalila* with Shirley Verett, Placido Domingo and Simon Estes. Harold Prince's production of *Faust*, conducted by Charles Dutoit, continues. Lincoln Center Opera House (362 6000).
Lar Lubovitch Dance Company. The company, noted for its rhapsodic music and finest choreography, is a local favourite. Ends Mar 4. City Centre (581 7907).

Washington

Washington Opera. Zack Brown's production of *Die Fledermaus* conducted by John Lanchbery. *Aida* continues with Aprile Millo as Aida, Stefania Taczyska as Amneris and Vladimir Popov as Radames. (467 4600).

Tokyo

Madame Butterfly. The Nikikai Opera Company performs the original 1904 version in Italian. Tokyo Bunka Kaikan. (Mon). (370 6441).

FINANCIAL TIMES

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Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday February 27 1990

Retreat of ideology

THE DEFEAT of the ruling Sandinista Government by a conservative US-backed coalition in the Nicaraguan elections is both unexpected and a truly remarkable event in the development of Third World government. It also marks another chapter in the rapid retreat of ideology from the international stage. One must hope that Nicaragua can now be treated simply as the poorest country in Central America and not as a battleground for the ideological prejudices of the Left and Right.

For a decade, the Sandinistas have been the Left's symbol – as were Allende's Chile, Cuba and Vietnam before them – of a revolutionary David fighting for the right to cut an individual socialist path in defiance of the imperial Goliath in Washington. The Reagan Administration was too obsessed by what it saw as the destabilising effect of a communist cancer in its own backyard and sought to remove the Sandinistas by fair means or foul. The Sandinista leadership was never the evil dictatorship depicted by Washington. Indeed a good deal of the international support it attracted was probably a reaction to the heavy handed US approach and, at home and abroad, often owed more to crude anti-Americanism than genuine backing for their policies.

Learning curve

The Sandinistas made many mistakes, not least in their over-enthusiastic backing for other revolutionary movements in the region and in driving out skilled middle class personnel. But to their credit, they have gone through a tough learning curve. Whatever Washington might now claim, the Sandinistas' gradual concessions to political pluralism and a more open economy were only in part prompted by external pressure. President Daniel Ortega has been a clever pragmatist keeping together a collegiate leadership for almost eleven years while fighting a war.

This is the first instance where the leaders of a marxist-orientated revolutionary movement have seized power and subsequently agreed to set up a democratic electoral process which then rejected them. In the recent case of Chile, it was a right-wing dictatorship which was voted out of power. The moral perhaps is that all totalitarian systems invite downfall when they open up to democratic processes.

The outgoing Nicaraguan president is pledged to respect the electoral verdict. There is no doubt about his own sincerity. However, it is not going to be easy to convince the hardliners in the Interior Ministry and elements of the armed forces to accept the sea-change which must now occur in the administration. The hardliners have only ever acccepted the moves towards pluralism as a means of preserving the Sandinistas in power.

Sworn enemies

As it is, the Sandinistas will hand over power to their sworn enemies many of whom were beaten on the battlefield. The members of the UNO coalition are closely identified with the Contra rebels who since the early 1980s sought to overthrow the Sandinistas with US aid. Indeed, the change of fortune is unprecedented. The Contras have won at the ballot box the armed struggle they could not win on the ground in Nicaragua, or indeed in political Washington, which eventually cut off their funding last year. Both victors and vanquished will have to exercise considerable restraint in working towards a genuine reconcilation.

The war against the Contras has eroded the early achievements in health and education of the Sandinista Revolution and brought the country close to bankruptcy. Economic mismanagement, probably more than anything else, brought the Sandinistas down, as it has the authoritarian regimes in eastern Europe, and helped propel to power Mrs Violetta Chamorro on the promise of a substantial injection of dollars. She will now be heading a fractious coalition, which will need help from Washington. This presents a golden opportunity for President Bush to show that the US understands the genuine needs of Nicaragua and so to pave the path towards peace in Central America as a whole.

Half-mergers in Europe

THE MOUNTING competitive pressures on Europe's motor industry have lent an air of inevitability to the planned link-up between Renault and Volvo. But it is less obvious that the deal will deliver the advantages expected of it. Indeed, it looks in some ways more like a testament to the difficulties of building cross-border alliances in Europe than a model for effective co-operation.

The agreement will create the world's largest heavy truck producer, with extensive operations in the US as well as Europe, and bring together two complementary car ranges. In theory, at any rate, it will provide Renault with access to the second marque it needs to diversify up-market from volume car production, while offering a more secure industrial underpinning for Volvo's specialist car business.

For both companies, though, the deal's principal attraction is the promise of improved scale economies. These will be sought less in final assembly than by standardising components, aligning purchasing policies and collaborating on technology and product development.

Given the cost structure of vehicle manufacturing, these areas indisputably offer the biggest potential for savings. The question is how far the proposed relationship between Renault and Volvo will enable them to be achieved.

The strength of the Japanese motor industry, to which the new alliance aims to respond, owes much to the intensive inter-action between different functions – and particularly development, engineering and manufacturing – at every stage of the product chain. This almost seamless process has yielded huge benefits in terms of cost reduction, quality and shortened development cycles which European manufacturers are still far from matching.

Co-ordinating closely

Renault and Volvo, however, are not talking about integrating their activities, but co-ordinating them more closely. That will require mutual understanding and readiness to compromise by two companies with very different traditions, philosophies and working methods. It will not be made easier by an elaborate structure of cross-shareholdings and a diffusion of management responsibilities which appear intended more to preserve both partners' rights than to facilitate firm decision-making.

Lack of unified management and clear leadership was the main reason for the failure of most of the large cross-border link-ups attempted by European companies during the 1960s and 1970s. In the past decade, the most successful trans-European mergers have been those, such as the formation of ABB, the Swiss-Swedish engineering group, where one partner wields overall control.

Outright takeover

Renault and Volvo would be more likely to achieve the results they want if they agreed on an outright takeover of one company by the other. An alternative solution would be an asset swap which would give their truck businesses to Volvo, which has proven strengths in that field, and concentrate car-making in the hands of Renault. However, political factors appear to rule out any such arrangements.

Mr Pehr Gyllenhammar, Volvo's chairman, has insisted that if the company ceased to be Swedish-owned, his country would suffer an identity crisis. Renault's symbolic importance in France is, if anything, still greater. Even the government's plans to change its legal status from a *régie* to a limited liability company - made necessary by the Volvo deal - pose a politically delicate challenge.

That Mr Gyllenhammar has loudly condemned the damage which Europe's nationalistic barriers have caused to industry only underscores the obstacles which corporate restructuring still faces. But such resistance, while an understandable political reaction, makes little sense economically when companies can no longer stand up to competition alone. An insistence on the sanctity of national ownership and separate control as a condition of cross-border alliances risks, at best, retarding healthy industrial adjustment and, at worst, jeopardising companies' commercial survival.

Tim Coone reports from Managua on Nicaragua's election upset

Sandinistas lose the hunger vote

Nicaragua is a country of the unexpected. The crushing defeat of the ruling Sandinistas in last Sunday's elections was as decisive and surprising as their sudden rise to power in the 1979 revolution.

Before election day, all the indications were of a victory for the Sandinista party (FSLN), though a modest one in comparison with the 67 per cent of the vote they achieved in 1984.

Their expensive, well-organised electoral campaign brought 250,000 people to a closing rally in Managua last week. This was three to four times more than their opponents in UNO, the victorious opposition alliance, managed to attract to a similar end-of-campaign meeting. But those who read an imminent Sandinista victory in the differing sizes of these two rallies had miscalculated the hidden strength of the protest vote. The bulk of UNO support was evidently passive; it represented, perhaps, a vote against the Sandinistas rather than a decisive vote in favour of UNO.

Normally reliable US-based opinion polling firms proved wildly wide of the mark in their estimates of voting intentions. Even the US government was preparing to accept the likelihood of a Sandinista victory.

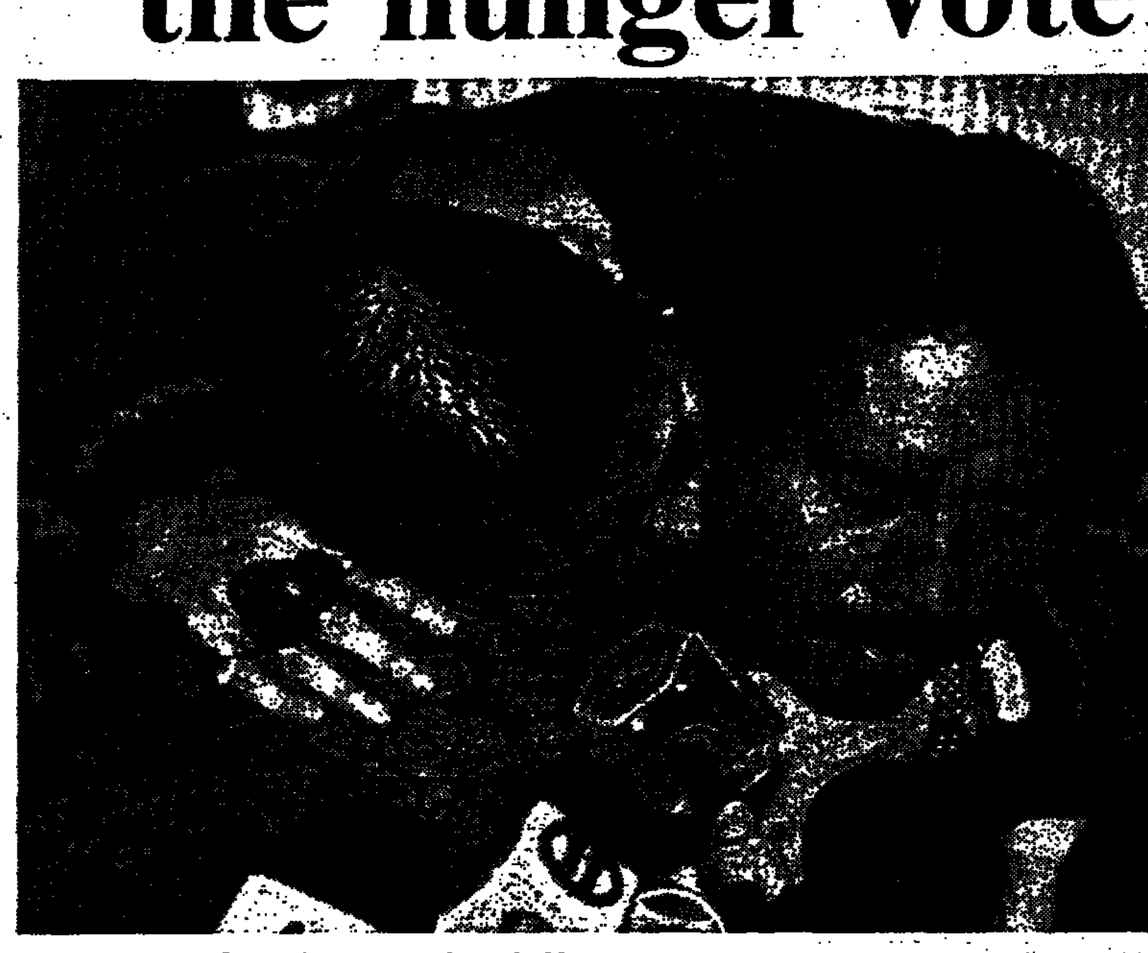
In the event, however, with a voter turnout of more than 90 per cent, the Sandinistas appear to have won some 680,000 votes against UNO's 900,000.

In retrospect, the reasons for UNO's astonishing success are not hard to find. Mr Ramiro Gurdian, the head of Nicaragua's private sector umbrella organisation Cosep said last week: "Hunger will be the decisive factor."

Ravaged by war and inflation, the economy has taken a battering in recent years. Internal mismanagement has been compounded by US economic sanctions and a drying-up of international lines of credit. Exports fell sharply, creating a vicious circle: the drop led to foreign exchange shortages, which led to shortages of imported raw materials, which affected output and, in turn, potential exports.

To finance the war against the US-backed Contras in the mountains, the government printed money, fuelling hyperinflation. In 1988, prices rose at an annual rate of over 30,000 per cent.

A harsh economic adjustment plan introduced last year managed to bring some stability to the economy. But in doing so, it reduced real incomes to their lowest level in decades. Dr Alejandro Martinez Cuenca, the Budget and Planning Minister, said last Saturday: "The adjustment plan carried with it a very high social cost."



The pain of defeat: Daniel Ortega is comforted by his wife

Before the election, even the US government was preparing to accept the likelihood of a Sandinista victory

Also unpopular was the government's insistence on maintaining compulsory military service, even if the war came to an end. Education statistics show a sharp drop since 1983 in the number of teenage males attending school – evidence of emigration and draft evasion by teenagers who did not want to go to war. UNO promised to end military service. This evidently proved a vote-catcher, particularly effective in neutralising the Sandinistas' youth-oriented campaign among the 265,444 new voters between 16 and 20.

And a third factor in the Sandinistas' defeat was the growing unhappiness of many ordinary party members. Those who have been quietly trying to stop what they see as a drift towards populism among the leadership and an inadequate drive against corruption say that the party's lack of internal democracy has cost it support and weakened its moral fibre. The small MUR party, headed by the former Sandinista leader Moises Hassan, running on an anti-corruption platform, picked up 1 per cent of the vote, making it the third political force in the country.

One prominent Sandinista woman said in private shortly before the vote: "As a Nicaraguan I hope we win with an overwhelming majority to show the world and especially the *gringos* that we have the massive support of the people and that the US's attacks against us have been so unjustified. But as a Sandinista I hope we win with only a slim majority so that we can have a purge within the party and clean out all the rubbish we have been carrying along with us all these years". Her secret wishes were obviously shared by many more than she knew.

Those carried to power by this popular disenchantment have inherited a daunting task. After eleven years in the wilderness, Nicaragua's opposition leaders must now start to tackle the problems of a country devastated by war. And they will still have to deal with the Sandinistas, this time as an opposition rather than a government. A bitter struggle may lie ahead.

UNO will take control of the Presidency, the National Assembly and most of the municipalities in the country. But the Sandinistas, with just over 40 per cent of the votes, have a solid base of support on which to build in opposition. And they retain control of other important levers of power such as the army, the police and security forces, the trade and student unions, and the largest farmers' organisation in the country. These will resist many of UNO's intended changes.

The new government intends sharply to reduce the size of the police and armed forces, denationalise most of the state sector enterprises and to free banking, insurance and foreign trade from direct state control.

Mr Gurdian, the head of Cosep, says he wishes to see the removal of an article of the constitution which puts these sectors under under state control. "We want to establish a free enterprise system. The state should not be involved in production."

Mr Francisco Mayorga, one of UNO's leading economists, hopes to put in operation an anti-inflation plan which would not be recessionary. To avoid a rebellion in the countryside, the agrarian reform which has benefited 100,000 rural families, is not to be rolled back. Instead, property ownership titles are to be given to farming cooperative members. State-owned lands will be redistributed to private farmers.

UNO's economic proposals reflect the conflicting political forces of right and left within the alliance. "They are a kind of tropical blend of Keynes and Friedman," said one western European economist. Mr Gurdian even says of Dr. Virgilio Godoy, UNO's vice-president-elect: "He is a Marxist and cannot be trusted."

Given the private sector's predominance within UNO, however, it will undoubtedly be handed control of the commanding heights of the economy. Mr Gurdian recognises that this may prove a source of conflict. "I am worried by what happens now after the elections," he says. "The Sandinistas have to be convinced that they have a future, and have an important role to play here. Nicaragua is a big enterprise and in any business one has to respect the minority partner. We have to respect the FSLN."

The Sandinistas have had eleven years in power to convert themselves from a small clandestine guerilla army to a nationwide party with a well-organised structure. Most of their hundreds of thousands of supporters have had military training. Many are poor or lower middle-class and will feel threatened by UNO's plans.

The Nicaraguan economy will require large transfusions of financial assistance from abroad if lay-offs in the police, army and public sector are not to lead to heavy unemployment, discontent and possible violence. Any acts of vengeance by returning members of the Contra guerillas could further raise tensions. The war has left a legacy of thousands of weapons in civilian hands.

Control of the armed forces and police is a particularly delicate issue. UNO has emphatically ruled out what is known locally as a "Polish solution," in which these forces would remain under the control of the outgoing government during a negotiated transition period. "We shall replace the command structures immediately on taking office," said Mr Alfredo Cesar recently. He is one of the leading strategists behind the UNO campaign, and likely to be the new president of the National Assembly.

UNO has support within the middle and lower officer ranks of the army, says Mr Cesar. As a former Contra leader, he may feel inclined – and, indeed, be under some pressure – to include Contra officers and troops in the restructured armed forces. The merging of two groups who until recently have been fighting one another will be a further source of tension.

The police and security forces pose, if anything, a greater problem than the army. These forces were built up from scratch under the Tomas Borge, the Sandinista interior minister. Their officers and other ranks have been selected for their ideological commitment to the revolution.

The defeat of the Sandinistas may see a resurgence of pre-revolutionary divisions within the party and a strengthening of the wing led by Mr Borge. Before the 1979 revolution, he had been opposed to the wing, led by the two Ortega brothers. These two - who went on to become President Daniel Ortega and Defence Minister Humberto Ortega – were the principal architects of a broad-based party, a mixed economy and a multi-party system. The Sandinistas' loss will be seen by many within the party as a defeat for the Ortega wing.

UNO leaders have said in the past week that they expect 90 per cent of the FSLN party militants to accept a UNO victory. They are very worried about the other 10 per cent.

Decisions on all these critical issues will fall on Mrs Violeta Barrios de Chamorro, the President-elect. She lacks all political experience, and will have to lean heavily upon her closest advisers, mostly family members.

The UNO leadership, however, is drawn from twelve parties ranging from conservative to communist. Each wants to control the the new government. The deep divisions that have characterised UNO's electoral campaign are more than likely to re-emerge once they take office.

The uncertain future of the UNO coalition will place an extra burden on the US, which played an unusually open role in support of the opposition campaign. US funds provided jeeps for UNO officials, poll strategists and a string of back-stage advisers.

Many observers – including US officials – thought this degree of support might back-fire. Nicaraguans have traditionally been sensitive to US involvement in their politics. General Augusto Sandino, the national hero, was adopted as the symbol of the 1979 revolution precisely because he stood up to the *gringos*.

In the event, however, Nicaraguans appeared to believe that a UNO victory offered the best prospect of securing US funds to end the country's economic misery.

UNO's economic policies are 'a kind of tropical blend of Keynes and Friedman' according to one European observer

The outcome thus raises expectations that the US will come up with large amounts of budgetary support, food aid and project investment. Coming in the wake of the $1bn the US is likely to pay to assist Panama after the invasion last December, the new demands from Nicaragua will strain Washington's foreign aid budget to the limit. The Nicaraguans are likely to be asking for at least $1bn a year for the foreseeable future.

Until now, President Bush has preferred to deal with Nicaragua as a special US problem, outside international frameworks. Faced with the likely aid requirements, however, he might well be tempted to invoke EC and Japanese support. Both have indicated their willingness to help, but would wish to do so in the broader context of peace in Central America.

Nicaragua's election upset – and the consequent moves to revive the economy – could therefore help the slow process of bringing an end to the conflict in El Salvador.

OBSERVER

Excess of zeal

■ Luis Solana is the man who as President of Telefonica, the Spanish telephone monopoly, took the company to the international stock markets. As a reward, the Government moved him on last year to the even more illustrious post of head of the national television and radio service.

Which was strange, in a way. For although Solana had cleaned up Telefonica's balance sheet, by the time he left the company was one of the most looked down upon institutions in the country. There is a telephone waiting list of more than 500,000 potential subscribers. The telephones still do not work properly, and Solana, almost everyone agrees, is to blame.

Solana is a member of the Trilateral Commission, brother of the powerful Education Minister and as faithful a fan of the Prime Minister, Felipe Gonzalez, as it is possible to imagine. In his new broadcasting job, he went too far.

Solana banned boxing shows, scrapped a programme called *The Right to Disagree*, on which an important Socialist was criticised, banned a radio show which used to summarise the daily press (some of it critical of the Government), and blocked plans to make a Spanish version of the British political puppet satire Spitting Image. Earlier this month, he was alleged to have curtailed coverage of a parliamentary debate about the abuse of government patronage.

To put it mildly, Solana had become a political embarrassment to the government he supported. Hardly anyone, however, expected him to be sacked without warning.

Solana's dismissal is part of the Prime Minister's attempt to win back favour in the country following the allegations of broadcasting bias. He will be replaced by a professional journalist who, although also a member of the governing Socialist Party, is regarded as more independent.

Still, it may not be the end of the climb for the 55-year-old Solana. He has expressed an interest in becoming Ambassador to the US.

Moscow clubs

■ After welcoming McDonald's in Pushkin Square, Moscow is going in for a £62m golf course and hotel complex, 20 minutes drive from the Kremlin. It took 18 months to negotiate, but the London company, Golf Shows, has completed a deal with two Soviet sports ministries to build an 18-hole course and hotels to go with it by the Moscow River.

"It is like building a golf course in the middle of Hyde Park," said a company spokesman. A 50-50 Anglo-Soviet joint venture has been set up to create it. The first tee-off should be in two years' time.

Rationalise

■ How has the fashionable left reacted to the surprise defeat of the Sandinistas in Nicaragua? It has decided that 10 years is enough, could happen to anyone and gives hope for the removal of Mrs Thatcher.

All Smith men

■ Some of the world's most honoured economists are to gather in Edinburgh in July. The occasion will be the bicentenary of the death of Adam Smith.

At least 11 of the 20 living Nobel laureates will be ushered into Edinburgh's Usher Hall for a two-day conference on Smith and all his works. Those who have accepted the invitation so far include Jan Tinbergen, Franco Modigliani, James Meade and James Buchanan.

A key session will be called "The Wealth of Nations from Today's Perspective". Participants will be apply Smith's analysis to current problems, ranging from monetary policy to the welfare state, and to review the present state of economics and its future.

Chief organiser is Michael Fry; philosopher, historian and larger than life figure among the politico-economic opinion formers of the Scottish capital. Italian security police once mistook Fry for the "Prince of Scotland" when he was covering an economic summit in Venice for the Scotsman newspaper.

After the conference, the laureates will gather round Smith's grave in Edinburgh's Cannongate Churchyard to unveil a plaque in his honour: that is, if they are still on speaking terms.

Cut in style

■ Normally when I have my hair cut there is some mild pop music playing in the background: "Top 20 from 1955" or something like that. This is not objectionable, provided that it is not too loud. It means that you are not obliged to talk all the time. The other day when I went to the place that I have been going to for years, something had changed: it had switched to chamber music, probably direct from Radio 3. This is quite clearly the way to do it. Everyone listened and when whoever is the classical equivalent of a disc jockey told a story about Scarlatti, the lady next to me burst out laughing. Scarlatti had invented the way of playing the piano with one hand across the other, but he had to give up when he became too fat to do it. All very civilised.

Irish Ecu

■ Charles Haughey, the Irish Prime Minister, has gone to great lengths to publicise Ireland's current Presidency of the European Council. The Presidential logo – a harp surrounded by the 12 European stars – is displayed everywhere from the arrivals hall at Dublin airport to the side of the nation's buses. True to Ireland's literary traditions, a special poem was commissioned to celebrate the present momentous times in Europa. Now comes the commemorative set of Irish Presidency coins, each with the Irish Red deer on one side, the Presidential logo on the other. The coins will be denominated in ECUs and be issued to coincide with the EC summit in Dublin in June.

Lent is nigh

■ Two months after a Norfolk vicar suggested in his parish magazine that parishioners might forgo a luxury for a while and give the money they saved to church funds, an elderly Scot handed him a paper bag full of 5p coins. "How very good of you!" said the vicar. "Aye," said the Scot, "when I read your piece, I decided to give up large whiskies and sodas — and those 5ps represent the sodas."

LETTERS

Peace would be guaranteed by a united Europe

From Mr Nicolas Travers.

Sir, Professors Hanke and Walters ("Reform begins with a currency board," February 21) show a remarkable lack of understanding for the political forces at work in East Germany when they propose the creation of an East German currency board managing a convertible East German Mark.

East German citizens seek reunification. The merging of a divided Germany into a single state and the adoption of a single currency must form part of that merger. (D-Marks also rank as a truly magic totem to a population so long deprived of choice, a totem no revamped and convertible East German Mark could hope to emulate. I write with feeling – my wife has an inconvertible and partially blocked East German bank account).

Sadly the professors' lack of understanding seems mirrored by parallel blindness in Whitehall. Mrs Thatcher seems to take the view that British, French and US troops must remain in what is at present West Germany as part of a continuing Nato presence, allowing some matching Soviet presence in East Germany, with Germany as a whole bound into a fairly loose-knit European Community.

Many Germans see this as a prolongation of post-war occupation under another name, with Four Power garrisons guaranteeing a political status quo, and might well press increasingly, in a loose-knit EC, for Four Power military withdrawal.

This is exactly what the Soviet Union proposes, providing a united Germany is both demilitarised and neutral. (It is interesting to note that contrasting western and eastern views exactly mirror developments in the Weimar Republic after the First World War, when Britain and France maintained garrisons on the Rhine, but Russia backed German self-assertion).

Mrs Thatcher consequently exposes herself to a future in which Russia could very easily wreck both Nato and the EC by offering to withdraw unilaterally from East Germany in return for all-German movement towards Russian goals. One can hardly imagine German voters would prefer continuing Four Power occupation to independent neutrality.

France, which has a much better – and perceptibly more bruised – memory than Britain, has much more sensible proposals. The French believe German reunification must accelerate European political and economic convergence, because only a politically confederated and economically integrated Europe could harness pan-German renaissance (which might otherwise be expected to move inexorably towards improving the lot of the million and more Germans east of the Oder-Neisse rivers).

Federal Europe might then offer membership to Poland (providing Warsaw allowed a generous measure of self-government to its German minority) and thereafter both expand by absorbing other east European states and progressively defuse local communal problems by developing regional administration (for example to Germans and Hungarians in Transylvania, to Albanians in Yugoslavia, and to Turks in Bulgaria).

European union would guarantee European peace and prosperity. This logic seems irrefutable – Europe currently faces union or division, with division leading inexorably to strife. (I have travelled extensively in those parts of Poland once counted as German, and met with a great deal of concealed ethnic German bitterness. Forced post-war Polonisation, with ethnic Germans compelled to change their names, barred from speaking German and discriminated against across a complete cultural, social, and economic spectrum is fuelling growing irredentism).

Britain's attempt to hover indecisively in some political middle ground can only foster instability. Union must surely rank as a better choice than a road leading towards conflict.

Nicolas Travers,
Birchfield Cottage,
Middle Green,
Slough, Berkshire

Enlarging the Community beyond a small coterie of nations

From Mr Peter Rodford.

Sir, James Elles MEP (Letters, February 12) accuses you of ignoring, in your editorial comment ("Europe whole and free," January 29), many awkward issues which would arise if negotiations for further European Community enlargement were started in the near future.

Mr Elles is right to stress the importance of the completion of the single market. However, there is no logical reason why the 1992 deadline, which was chosen in 1985 arbitrarily as a means of "relaunching" a stagnating Community, should not remain flexible for any new members, as it may well have to for existing member states.

Indeed, when the Commission proposed the 1992 deadline, the Iberian countries had not yet acceded, yet their entry, if anything, brought increased credibility to the programme. Nor should the importance of membership for democracy in Spain and Portugal be forgotten, a lesson which may well prove crucial in assisting the countries of eastern Europe now emerging from their totalitarian nightmare.

On the question of negotiating accession for neutral countries, Mr Elles will know that, of the 12, Ireland has always been outside Nato, while France remains separate from that organisation's command structure. In addition, EC countries such as Belgium, Holland and Luxembourg have long, by reason of their size and history, held strong neutralist tendencies.

None of this is likely to impede the security aims of the Single Act, which provides for the maintenance by the member states of "the technological and industrial conditions necessary for their security" as a principal objective.

Mr Elles also advances the problem of how to increase the democratic accountability of the Commission as a reason for putting further accessions on the back burner. The irony of subordinating the democratisation of the whole of Europe to democratic fine-tuning in the EC would not be lost on the people of the countries of eastern Europe.

Finally, on the question of how far the EC should enlarge, the opportunity now at last presents itself to right the wrong which has been done with the hijacking of the title "Europe" by a small coterie of nations which has no proprietary right to the term and which, in so doing, has purported to relegate the majority of European countries to second class status.

Peter Rodford,
Director, European Affairs,
Needham & James,
Windsor House,
Temple Row, Birmingham

The Courtaulds demerger

From Mr Richard Lapthorne.

Sir, The Lex item of October 31 last year which passed initial comment on the Courtaulds Textiles demerger proposals, opened with the words: "The curious thing about Courtaulds' proposed demerger is that it seems in the interests of just about everyone except the taxman."

That was perfectly true (if ambiguous in language) because the intention in a demerger would be to divide a company in such a way as to leave the Inland Revenue neutral on the transaction, neither gaining nor losing.

In practice, preparing Courtaulds' financial reconstruction for the demerger has proved to be difficult because the legislative framework within which the UK tax authorities operate has not been drafted to cope with the principles of demerger when set against the practicalities of fiscal life in 1990 – Advanced Corporation Tax, options, pensions, and so on.

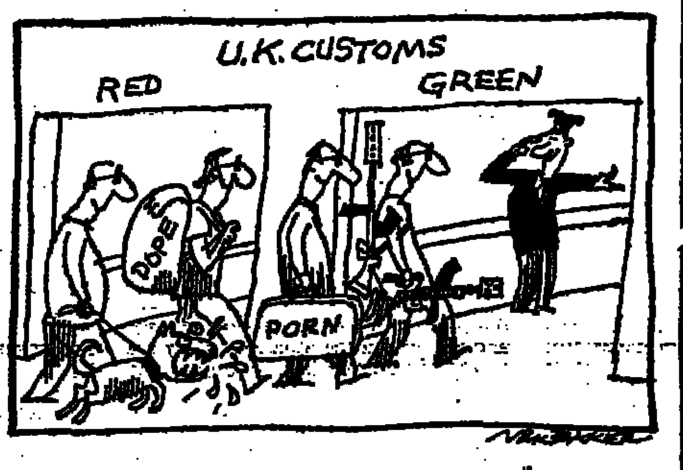
With the exception of options, we have managed to effect the demerger in a manner which is broadly tax neutral but with hindsight that turned out to be far less predictable than it ought to have been.

Last Thursday, commenting four months after the original piece on the subject, Lex wrote: "The promised tax advantages seem meanwhile to have evaporated," giving the impression that throughout the life of the project Courtaulds had been hoping to make a gain at the taxman's expense, but had been thwarted.

The whole subject of creating tax advantage was invented in Lex, and I am pleased to see that Lex has finally buried it too.

It is just a pity that this game of conjecture was played out in such a conspicuous column – one that I am sure, is read very carefully by many managers in the Inland Revenue.

Richard Lapthorne,
Finance Director,
Courtaulds,
18 Hanover Square, W1



Waterloo for wrongdoers

From Mr A.A. Reid.

Sir, So I shall be able to declare all my drugs, pornography, rabid animals and firearms at Waterloo Station when I get off the train from Brussels in 1993 ("Observer," February 22). Why not start installing red channels at mainline stations now? With proper co-operation from wrongdoers, criminality could be reduced at a stroke.

A.A. Reid,
Avenue des Martinets 30,
Brussels

From Mr David Asprey.

Sir, If Mr Philip Nash, former Commissioner of Customs and Excise, really did justify the retention of red/green customs channels as reported by Observer, it would be interesting to know his forecast of the number of travellers carrying drugs, pornography, rabid animals and/or firearms that would enter the red channel.

David Asprey,
60 Barnstable Road,
Thorpe Bay,
Southend, Essex

Printing industry investment

From Mr G. Colin Stanley.

Sir, We agree wholeheartedly with John Muelbauer's thesis "that the Government's reliance on interest rates is damaging the future trading performance of the most open sectors in the economy" ("A pattern biased against trade," February 19).

The policy is, of course aggravated by the lack of capital allowances against corporation tax which means that corporate taxes contribute over 4 per cent of gross domestic product in the UK compared with 2 per cent in Germany.

The paper, printing and publishing sector is cited as an exception to the rule that unprotected sectors have had a relatively low level of investment. Although national newspapers have contributed to the growth in investment by the sector, other parts have invested heavily too.

Net capital expenditure by the general printing and publishing industry was £141.6m in 1979 and £319.6m in 1987, for example. The UK web printing industry is the most modern in Europe. We believe that it is this high level of investment which has allowed the industry to compete effectively in an open market.

Sadly, a recent survey of our members confirms that current interest rates have induced a substantial downward revision of investment programmes which can only undermine the industry's ability to compete against overseas printers who equip and re-equip on more favourable terms.

This will mortgage our future.

G. Colin Stanley,
Director General,
British Printing Industries Federation,
11 Bedford Row, WC1

A formula for pay increases

From Mr Peter Elkan.

Sir, Mr Aubrey Jones (Letters, February 19) writes: "What is required is a device which might bring home to one group of pay settlers the implications of its action for other pay settlers and therefore for the community in general." In this context may I call attention to my idea of a "national pay adjustment factor."

Employees should have the right to bargain freely with their employers, both in the form of collective agreements and individually, but employers would be obliged to pay out not the wages and salaries as defined by the various agreements but these sums multiplied by a coefficient which the Government would determine and publish every month.

The coefficient would take into account the rate of growth of average productivity in the economy as well as the rise in the index of contractual pay rates, and transform the latter into a rate of increase in the average of wages and salaries actually paid out that was compatible with the absence of inflation. Initially this would certainly mean a month-to-month decline in the coefficient from its starting value of one, but in the longer run even a rise in the coefficient from one month to the next is conceivable.

Such an arrangement would undoubtedly make employee groups interested in the pay increases achieved by others and induce the various groups to negotiate not only with their employers but, formally or informally, with each other.

This idea was first published in Italian in the May 1965 issue of Economia Internazionale. In 1975 it was rejected by the British Government of the day. Sir Alan Peacock, at that time Chief Economic Adviser to the Trade and Industry Department, wrote in his book The Economic Analysis of Government and Related Issues (Martin Robertson, Oxford 1979): "I managed to have one scheme discussed at Cabinet level but it was much too radical for my masters and, consequently, was thrown out!" According to reliable information this referred to my proposal. Perhaps it should be looked at again.

Peter G. Elkan,
58 Bishop's Road,
Cambridge

Esprit sans frontières

From Mr Peter Daly.

Sir, The writers of two of your recent stories seem to think that sang-froid is an attribute of the French. I thought it was usually considered to be an English virtue.

If I am right, your writers are not the first to get it wrong.

An early attempt at translation by a young Briton rendered "Voici l'Anglais avec son sang-froid habituel" as "Here comes the Englishman with his usual bloody cold."

Peter Daly,
69B Vicarage Road,
Wollaston,
Stourbridge, West Midlands

South Africa: 'uncomfortable realities and Alice in Wonderland'

From Mr John Bruce Lockhart.

Sir, The world seems to have taken leave of its senses over South Africa. If certain uncomfortable political factors were quietly considered by differing vested interests outside South Africa, the vast gap between rhetoric and reality might be narrowed. Four of the uncomfortable realities are:

● The African National Congress (ANC) is not, and never has been the sole representation of black political aspirations in South Africa. Mr Mandela's immaculate behaviour since his release from jail does not alter this reality.

● The continual imposition of sanctions, boycotts and disinvestment increases black unemployment, encourages violent extremism (both black and white) and discourages the efforts of those inside South Africa who would abolish apartheid by non-violent reform.

As the late, great, anti-apartheid warrior, Alan Paton publicly told the then Bishop Tutu, there is no Christian morality involved in putting a black man out of work in order to achieve political power.

● The central political problem facing President de Klerk is how to create a viable multi-racial state out of a group of powerful tribal, political or ethnic minorities. It is an immensely complex problem. The continuation of sanctions, the canonisation of Mr Mandela and the over-simplification of complex issues diminish President de Klerk's chances of finding a sensible compromise.

● The evidence of the last 30 years shows that western-style democracy does not work in Africa. To believe that "one-man one-vote" will solve South Africa's problems, is to join Alice in Wonderland.

John Bruce Lockhart,
The Reform Club,
Pall Mall, SW1

FOREIGN AFFAIRS

Dilemma of a united Germany

Robert Mauthner assesses the implications for Nato of German reunification

German public opinion, egged on by some sections of the press, appears to have become increasingly exercised by what it sees as Mrs Margaret Thatcher's "hostility" to unification. Some British commentators, too, consider that the Prime Minister is "isolating" herself from her European partners on this question.

However, there is no convincing evidence for such an assertion, relevant as it might be to issues such as European monetary union or sanctions against South Africa

As is her wont, the Prime Minister, has bluntly stated that German unification is a matter of deep concern, not only for the German people, but for their allies in both Western Europe and North America. Others have been more diplomatic and careful not to offend German sensitivities. But the private comments of officials and press articles in Europe and the US show that most of the western allies are very much on the same wavelength.

It would be bizarre – indeed irresponsible – if they were to adopt the attitude that German unification was a matter only for the German people. Of course, in the first instance only Germans can decide whether they want to be united in one country. But how this is to be achieved must affect and involve the US and the other European countries, because of the vast implications of German unification for Nato and the European Community.

The problem of the future relationship between a united Germany and the military alliances in Europe will give the newly-formed "two-plus-four" co-ordinating group between the two Germanies and the four Second World War allies its biggest headache. To wipe the slate clean and draft an entirely new pan-European security framework at this stage is clearly premature, though a first stab at this will probably be made at the summit of the 35-nation conference on Security and Co-operation in Europe at the end of the year.

It is only natural that the transformation of the political situation in the Soviet Union and eastern Europe and the subsequent fundamental change in East-West relationships should spark a spate of visions for Europe's future. Some of these foresee not only the withering away of all military alliances, but the elimination of war itself. For the moment, however, Western leaders are not discussing utopias, but first steps – models which attempt to take into account the West's desire to incorporate a unified Germany into Nato, while meeting Moscow's security concerns.

The latest official statements coming out of Moscow represent a hardening of Soviet opposition to the kind of formula worked out by Chancellor Helmut Kohl of West Germany and President George Bush at Camp David over the weekend.

Any solution which involves Nato membership for a unified Germany would lead to an "inadmissible" disturbance of the military balance between Nato and the Warsaw Pact, according to the Soviet Foreign Ministry. That, of course, presumes that the Warsaw Pact is still in existence, which is becoming an increasingly doubtful proposition.

But even the hybrid formula envisaged by the US and West German leaders, combining Nato membership of a unified Germany with a "special military status" for East Germany, raises enormously complicated problems. Such a system presumably means that US and other Nato members' troops would continue to be stationed in the western part of Germany, while Soviet troops would remain in the eastern half.

But what would happen to the 170,000-strong East German army? Would it merge with the West German Bundeswehr? If it remains a separate force, would it continue to exercise with the Russians or participate in Nato manoeuvres? Which side would inherit East Germany's military equipment?

Developments in eastern Europe and the prospect of German unification have, not surprisingly, also played havoc with Nato's military strategy. The doctrine of flexible response, which provides for a graduated escalation towards nuclear weapons if an attack against Nato territory cannot be halted by conventional means, remains theoretically valid.

In practice, however, a conventional attack against Nato territory will become less and less likely as Nato and Warsaw Pact forces are reduced to ever lower equal ceilings. And what is to be said of a forward defence doctrine which continues to treat the present eastern border of West Germany as the one to be defended, instead of the frontier of a united Germany within Nato?

Some foresee not only the withering of all military alliances, but the elimination of war itself

Ironically, nuclear weapons, which have been the subject of so much controversy within Nato over the past decade, have hardly figured in the public debate on the future of the alliance in a restructured Europe. It goes almost without saying that the issue of the modernisation of short-range nuclear weapons, over which Mrs Thatcher fought so many fierce battles, is now a dead letter. Hotly opposed by the West German anti-nuclear lobby because they would be used mainly on German territory, the short-range nuclear weapons would be even less politically acceptable after unification.

At the same time, the progressive reduction of the Warsaw Pact's conventional superiority has greatly weakened the military argument in their favour.

Yet as Nato re-examines its strategy, it is certain that the debate on nuclear defence will resurface in some form. The Bush Administration has expressed its intention of maintaining its military presence in Europe and Germany, in particular.

Although the US's latest agreement with Moscow on troop levels is not final, even if US soldiers in Germany are reduced from their new floor of 195,000 to 100,000 or less, Washington will not want to keep them there without some battlefield nuclear protection.

If land-based short-range nuclear arms are to be the subject of negotiated reductions with the Soviet Union, as foreseen, pressures will grow for that nuclear protection to be provided by a new generation of air-launched "stand-off" weapons on US, British and German aircraft, or sea-launched cruise missiles.

Mrs Thatcher, no doubt, is already preparing for such a debate. But it will have to be handled extremely carefully, if it is not to spark another massive and damaging row within the Western Alliance, which could easily spill over into arguments about the future relationship between Germany and the Western Alliance.

Though recently prepared to make all sorts of important diplomatic and military concessions, the Soviet Union has not yet formally abandoned its stated preference for a neutralised Germany.

The existence of a large neutral state in the heart of Europe – armed, as neutral states always are – is rightly considered by the West as a recipe for instability. But such a solution could win popular support in Germany itself, as the conditions for unification are hammered out and after elections in the East and West this year.

Potential internal dissent within Nato over the German question is now a bigger threat to the alliance than external attack. The alliance's existence depends at least as much on its success in solving such delicate political problems as it does on military capacity and cohesion.

FINANCIAL TIMES
Tuesday February 27 1990

PROPOSALS FOR FULL-SCALE PRESIDENTIAL SYSTEM GO BEFORE PARLIAMENT

Gorbachev's allies press for reform

By Quentin Peel in Moscow

PLANS for a full-scale presidential system in the Soviet Union, with direct and contested elections in a secret ballot, have been presented to the Soviet parliament for urgent consideration.

The first details of the draft law were revealed yesterday, with supporters of Mr Mikhail Gorbachev, the Soviet leader, pushing for an emergency session of the country's Congress of People's Deputies – the supreme constitutional authority – to approve it as a matter of urgency.

Although the post is clearly intended to have sweeping executive powers, Mr Gorbachev's top advisers insist that a system of checks and balances, on the US model, would prevent it becoming a dictatorship.

Mr Yevgeny Primakov, a junior Politburo member and chairman of the Soviet of the Union, one chamber of the Supreme Soviet (parliament), suggested that while the president would be able to veto parliamentary legislation, the Supreme Soviet would also be able to override his veto with an adequate majority.

However, he made it clear that the initial plan was for Mr Gorbachev to stand for indirect election, through the Congress of Deputies, because a direct election in the present political climate would be "destructive to perestroika."

The draft law presented to the Supreme Soviet yesterday provides for an executive president, serving a five-year term, to be elected under "universal, equal and direct suffrage by secret ballot," according to Radio Moscow's Interfax news service.

The president will be commander in chief of the armed forces, with the power to nominate a prime minister, powers Mr Gorbachev already enjoys as a semi-executive president. He will also be able to propose the resignation of a government to the Supreme Soviet, declare war, conduct negotiations and sign international treaties.

Mr Primakov, in a newspaper interview , said he would head a Presidential Council, including the Prime Minister, defence and foreign Ministers.

"I am convinced it would be useful to include in this council such political figures who would help the president feel the pulse of the nation and the atmosphere in society," he said.

That vision of the Council confirms the view that it would replace the Politburo of the Communist Party Central Committee as the dominant force in society, while allowing Mr Gorbachev the freedom to choose his most powerful colleagues, and so free himself from the constraint of the conservatives in the ruling party.

President Vaclav Havel of Czechoslovakia greeted in Moscow yesterday. His arrival coincided with the departure of the first trainloads of Soviet troops from his country. Report, Page 3

Perrier to refresh its image with worldwide advertising

By William Dawkins in Paris, Philip Rawstorne in London and Alan Friedman in New York

PERRIER, the French bubbly mineral water, is to be relaunched with a worldwide multi-million dollar advertising campaign in an attempt to wash away memories of the discovery of traces of benzene in some of its production.

Source Perrier, the French mineral water, soft drinks and cheese producer, which two weeks ago promised to withdraw the entire world stock of its main brand, will announce details of its ambitious publicity campaign in the next few days.

Analysts expect it to be one of the biggest damage limitation exercises launched by the drinks industry, as well as one of the most difficult given the sheer importance of image to Perrier's future. However, the Paris stock market continued to be sceptical and Perrier's shares ended down FFr52 at FFr1,433 yesterday.

The pear-shaped green bottles will reappear with much the same design, but will bear labels marked "new production."

This will be backed up by an "extensive newspaper and television advertising campaign," said Perrier.

The exact budget would be decided by local Perrier subsidiaries, said the company, which did not confirm suggestions that the group was prepared to double its annual $85m advertising budget.

But Mr Sylvan Massot, European analyst for UBS Phillips & Drew in London, said: "There is no doubt that the company is going to support the relaunch with a major marketing effort. It is a very aggressive company and I believe it will be prepared to take a substantial drop in profits this year to regain its market share."

Perrier had recalled more than 90 per cent of its world stock of 160m bottles by yesterday. All production had been returned in Britain, North America, Asia and the Far East, said Perrier. The company had no comment on a lawsuit filed by US consumers, alleging that Perrier knowingly sold contaminated water.

Slightly less than that had been returned in France and neighbouring Continental European countries. In a demonstration of Gallic sangfroid, even the best Parisian restaurants have been continuing to offer Perrier throughout the crisis.

Perrier UK claimed yesterday that British retail chains and other trade customers had been "enormously supportive." There were no signs of any reluctance to renew stocks when they became available, probably in the first week of April.

Leo Burnett, the UK advertising agency, has been working on a new advertising campaign for the relaunch, which is expected to abandon the light-hearted approach of previous advertising to provide a more serious, reassuring message to consumers.

Although it may take Perrier some time to re-establish its premier position in the market, most industry observers expect it to make a successful comeback.

In the US sparkling water market, which last year accounted for more than $300m of the total $2.2bn of bottled water sales, bars, restaurants and retailers have turned rather quickly to other brands, both imported and regional US products.

Evian, the non-sparkling water that is a subsidairy of BSN of France, has begun a nationwide advertising blitz on television and in the print media. The newspaper campaign, described rather slyly by Evian as a "public service" ad, is 2,500 words of copy under the headline "Just a Drop of What You Should Know About Water."

THE LEX COLUMN

Turning a blind eye to Tokyo

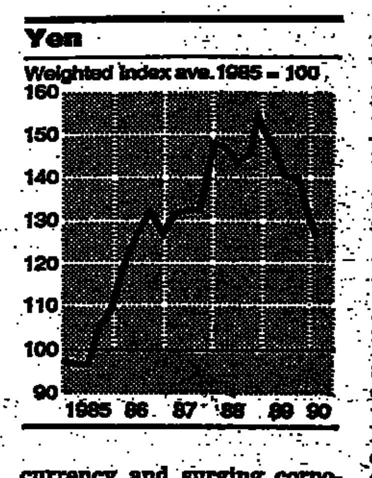
The calm response by Wall Street and London to the latest slump in Tokyo is puzzling. Those who believe Japanese equities have been overvalued for years may see the correction as a purely local matter. But this is to forget the importance of Japanese savings for the global economy. Japanese government bonds are now offering real interest rates of more than 5 per cent. This is making Japanese equities look expensive: but it is also making US Government bonds look far less attractive to Japanese buyers. Only a committed contrarian would believe that the yen is going to be devalued by another 17 per cent against the dollar in the current year.

It is possible to explain the savage correction in Japanese bond prices in terms of worries about political instability, potential inflation and roaring money supply growth. Clearly there are tensions. The yen has been going down because of fears that the authorities would not raise the official discount rate. By contrast, bonds and equities have been falling because of worries that the discount rate was about to be raised. Similarly, the increasingly public recriminations between the Ministry of Finance and the Bank of Japan have focused attention on the genuine inconsistencies in current Japanese policy.

It would only be possible to argue that Japan's money supply growth of over 11 per cent per annum is not a problem if the exchange rate did not keep on falling. Meanwhile, the sight of the Ministry of Finance pumping money into the system to prop up the bond market while the Bank of Japan is removing money via its support operations for the yen only highlights the official policy frictions.

It is hard to believe that in a system like the Japanese one these differences will not be settled eventually. But the longer the delay, the greater the risk of overkill and the possibility that this could have a knock-on effect in other markets. There is no denying that the Japanese equity market is different from others in important respects. But it would be dangerous to infer that what goes on in Tokyo is of no wider relevance. The parallels with the run-up to the October 1987 global market crash are beginning to look increasingly ominous. The big difference now is that most of the factors that underpinned the world's biggest stock market in 1987, such as falling oil prices, a strong currency and surging corporate profits, are no longer in evidence. If Tokyo falls much further, the rest of the world's stock markets cannot go on ignoring the message.

Yen



UAP

It is hard to see quite why France's largest insurer needs to raise FFr10.5bn with a public offering of shares when it has at least FFr48bn of unrealised capital gains in French blue-chip equities and Parisian real estate. By the same token, however, UAP will have its attraction to a certain kind of investor, even though he or she is unlikely to be from the UK. After all, if British fund managers want to invest in an over-capitalised composite, fat with years of conservative reserving, they can get along nicely with General Accident. The appeal of UAP is that with the shares offered at FFr 625, the discount to real net asset value is close to 40 per cent. The network of minority stakes UAP has in sundry European insurance companies is all very interesting, but of much less tangible value.

Williams

There is a school of thought which says this is a crucial time for Williams Holdings' fortunes. The shares have underperformed the market by nearly 40 per cent in the past two years, mostly because of suspicions that brash young outfits of this kind respond to hard times by falling apart. Despite that, Williams has reported earnings growth for 1989 of 4 per cent. Forecasts this year are for a similar token rise. If Williams can then bounce back in 1991, perhaps it will have turned the corner of market respectability.

There certainly seems no question of Williams being another Coloroll or Saatchi. Though balance sheet gearing has jumped to over 50 per cent, interest cover is still 11 times. It is also reassuring that a company with 40 per cent of sales to the UK consumer should feel able to raise its dividend by 15 per cent, even if it also has the cushion of a similar chunk of sales devoted to the booming aerospace industry.

But is is not clear that Williams is another Hanson or BTR either. Such conglomerates are not there to consolidate in times of downturn, but to grow their earnings regardless. Both Hanson and BTR are expected to produce earnings growth of at least 10 per cent this year. It is perhaps unfair to compare Williams with two such mature organisations. But through the recession years of 1980 and 1981, both Hanson and BTR kept earnings growth at well over 20 per cent. Williams currently stands at a discount to both, and has yet to show that it deserves different.

Vickers

If there is a debate going on in investors' minds about the future of Vickers, yesterday's results and the market's reaction have made the issues a little clearer. On the one hand, the price suggests that the stock market has given up on the idea of a break-up bid for Vickers. Even after yesterday's 10p rise to 205p, prompted by the higher-than expected 19 per cent dividend increase, the shares are trading at no more than nine times 1990 earnings. If there is any speculative premium in that figure at all, prompted by Sir Ron Brierley's 18 per cent stake, it can only be a slender one.

As for the figures, there are some pleasing little wrinkles such as the £79m pension fund surplus, or the extra £54m of fixed assets thrown up by the first full property revaluation since 1979: something, presumably, not entirely unconnected with Sir Ron. But the heart of the matter is that whether Vickers gets its Challenger 2 order or not, defence is now heading down to perhaps less than 9 per cent of operating profits this year. That makes it all the more clear that Vickers is going to stand and fall by the performance of Rolls Royce Motors and its aerospace components division. Since these are the two areas where Vickers is strongest, one hopes they are going to be where it spends its £140m cash pile.

EC accuses US over telecoms legislation

By Lucy Kellaway in Brussels

TENSION between the EC and the US over telecommunications trade deepened yesterday with the EC accusing Washington of using its domestic legislation as a bargaining counter in the present Uruguay Round of Gatt (General Agreement on Tariffs and Trade) talks.

It was responding to the recent US decision to keep the EC on its so-called "priority list" for negotiating away barriers to imports of US telecommunications equipment.

The EC protested that recent measures to open up the telecommunications market within Europe would have big benefits for US companies.

It pointed out that the US telecommunications surplus with Europe was rising, which it said was because of difficulties encountered by EC exporters in winning access to the US market.

In 1988, the US exported $788m-worth to the EC and imported $370m-worth, compared to $569m-worth of exports and $243m-worth of imports in 1987.

The EC also said specific complaints raised by the US over the access of AT&T to the European market had been resolved.

The US persistence in keeping the EC on the priority list was a means of obtaining for the US a privileged place in the single market discussions, and of pre-empting decisions to be taken in the Uruguay Round talks, EC officials said.

These discussions cover a wide range of matters, from technical decisions on standards to measures on public procurement.

Commission officials said the US had responded with some concern to the "Buy Europe" clause inserted in the EC directive on public procurement, agreed last week.

This would give European telecommunications manufacturers a 3 per cent advantage over third-country companies. But the EC argues this level is half as high as exists in the US.

Treaties extended to Gibraltar

By Peter Bruce in Madrid

BRITAIN has agreed to draw Gibraltar into two bilateral agreements it has with Spain in an effort to clamp down on drug smuggling and money laundering from the colony.

The decision, volunteered by Mr Douglas Hurd, the British Foreign Secretary, during talks with his Spanish opposite number in Madrid yesterday, marks the first time London has extended a treaty held with Spain to cover Gibraltar.

Mr Hurd said, however, it would not be possible to impose similarly a 1987 agreement between Britain and Spain on the joint use of the airport in the colony on Gibraltar, saying Britain did not have full control over Gibraltar's internal affairs.

The two sides agreed to extend a 1985 extradition treaty and a 1989 anti-drug pact to cover Gibraltar and Mr Hurd also agreed to include Gibraltar under the provisions of the 1967 Naples Convention on mutual customs assistance.

"I was very anxious to meet head on Spanish concerns about smuggling and drug trafficking," Mr Hurd said. However, he urged the Spanish authorities to hand over any hard evidence of smuggling to the Gibraltarian authorities.

Spain has recently begun to complain loudly about smuggling into its territory from Gibraltar and about evidence that the colony's efforts to become an offshore financial centre were attracting increasing incidents of laundering of drug profits. Mr Francisco Fernandez Ordonez, Spanish Foreign Minister, said yesterday that Madrid would in future pursue "energetically" suspected smugglers and money launderers from the colony.

He said no progress had been made on persuading the Gibraltarian authorities to agree to the terms of the Anglo-Spanish accord on joint use of Gibraltar's airport. He also warned that Spain was studying the feasibility of building a competing airport nearby.

He said Madrid had decided to go ahead with a big investment programme to develop Spanish territory surrounding Gibraltar.

UK tries to weaken waste accord

By David Thomas, Resources Editor, in London

THE BRITISH Government is trying to weaken significantly an agreement on waste dumping in the North Sea which ministers of nine European countries are due to conclude next week.

A leaked copy of the draft final declaration, due to be agreed by the third North Sea conference in The Hague, was released yesterday by Greenpeace, the international environmental organisation.

The 45-page draft contains notes on the positions of the participating countries. These show that Britain is trying to remove or extend specific deadlines for phasing out the dumping of certain types of waste.

Mr Paul Horsman, Greenpeace's toxics campaigner, said yesterday: "Every time an initiative comes up for pollution prevention, it's the UK which is dragging its feet."

Britain is opposed to a proposal in the draft declaration "to gradually reduce the dumping of sewage sludge in the North Sea, aiming at a termination within a transitional period of five years."

The Government has submitted an alternative proposal"to monitor and revive dumping operations, with a view to adopting land-based means of disposal whenever this becomes a practicable alternative."

The draft North Sea declaration also shows that Britain wants to take longer than most European countries to implement a ban on PCBs (polychlorinated biphenyls), chemicals used in industrial products which can contaminate marine life.

A woman to make history

Continued from Page 1

served nine months in the pre-revolutionary government in exile and then the first post-revolutionary junta. The Sandinistas needed her name to create a broad base of support but she soon left disillusioned. From then on she dedicated herself to running her newspaper.

This she turned into a crusade, involving the aid of the US government, ensuring frequent clashes with the authorities that led to the presses being closed several times. Inside Nicaragua, La Prensa became the main focus of anti-Sandinista activity.

Her performance during the election campaign was courageous but often undistinguished. She was forced to go around on crutches with a leg in plaster due to a bone disease.

At times she was carried in a wheel chair to the derision of the Sandinistas. Her speeches showed little depth and when questioned fell back quickly on advisers.

However, she has adopted all the arguments of free market economics and is committed to rolling back the Sandinista state.

She now has to prove that she has tact as well as passion, political instinct and insight as well as political commitment. Otherwise, she will continue to be used by others merely for her illustrious name.

Bush welcomes Chamorro win

Continued from Page 1

Some estimates in Washington suggest that Nicaragua may need as much as $4bn to rebuild its economy. Mr Bush also expects other countries to join in the effort to aid Nicaragua.

Mr Bush said he had talked to President Carlos Andres Peres of Venezuela about "appropriate trade and economic measures" to help the new government. One issue will be refinancing Nicaragua's external debt – the Central American state is more than $200m in arrears to the World Bank, Inter-American Development Bank and other multilateral agencies.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	S	16	59	Malta	S	17	63	Rhodes	S	17	63
Algiers	F	19	66	Edinburgh	F	5	41	Manchester	F	6	43	Rio de J'o	–	–	–
Amsterdam	S	11	52	Faro	S	16	61	Manila	–	–	–	Rome	C	14	57
Athens	S	17	63	Florence	C	13	55	Melbourne	C	19	66	Salzburg	F	15	59
Bahrain	S	19	66	Frankfurt	R	11	52	Mexico City	–	–	–	San Francisco	C	9	48
Bangkok	–	–	–	Funchal	C	16	61	Miami	C	20	68	Seoul	S	4	39
Barcelona	S	14	57	Geneva	R	9	48	Milan	C	11	52	Singapore	F	32	90
Beirut	–	–	–	Gibraltar	S	20	68	Montreal	S	-21	F	Stockholm	–	–	–
Belfast	F	3	37	Glasgow	R	5	41	Moscow	C	6	43	Strasbourg	R	12	54
Belgrade	S	20	C	Guernsey	–	–	–	Munich	R	15	59	Sydney	C	26	F
Berlin	–	–	–	Helsinki	Sn	0	32	Nairobi	F	26	79	Taipei	–	–	–
Biarritz	C	17	63	H. Kong	C	11	R	Naples	–	–	–	Tangier	F	17	63
Bombay	F	29	84	Innsbruck	F	14	57	Nassau	–	–	–	Tel Aviv	F	15	59
Bordeaux	R	13	55	Inverness	Sl	2	36	New Delhi	F	21	70	Tenerife	C	21	70
Brussels	R	11	52	Islamabad	–	–	–	New York	S	-12	10	Tokyo	R	10	50
Budapest	S	17	63	Istanbul	S	11	52	Nice	F	15	59	Toronto	S	-17	1
B. Aires	R	23	R	Jakarta	32	90	–	Nicosia	F	17	63	Tunis	S	22	C
Cairo	–	–	–	Jersey	F	10	50	Oporto	C	13	55	Valencia	S	21	70
Cape Town	S	28	82	Jo'burg	F	21	70	Oslo	R	5	41	Venice	Fg	10	50
Caracas	–	–	–	Lima	–	–	–	Paris	R	13	55	Vienna	F	17	63
Casablanca	C	18	64	Lisbon	F	17	63	Peking	S	6	43	Warsaw	C	13	55
Chicago	C	-7	19	London	F	28	82	Prague	F	13	55	Washington	S	-10	14
Cologne	R	13	55	Los Angeles	Fg	11	52	Reykjavik	Sn	-1	30	Zurich	R	9	48
Copenhagen	R	7	45	Luxembourg	R	11	52								
Corfu	F	17	63	Madrid	S	14	57								
Dallas	S	11	52	Majorca	S	17	63								
Dublin	R	7	45	Malaga	S	21	70								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

The sure thing that became a loser

Continued from Page 1

much money from land and stock speculation, and not from hard sweat.

"People have been getting money too easily. The wealthy have been earning money just by owning land and the stock market has been distorted. I think the Government has decided that the distortion should end," he said.

The just-retired "Mr Yamada" has invested a third of his savings in shares, generally in communications and trade-related issues ("trade will always increase"). He appeared unperturbed by his paper losses yesterday, however, and was relieved that "the extraordinary has become more ordinary."

For him, as for many Japanese, investing in stocks is a harmless hobby, with rapid turnover of stocks to keep the excitement going and enough of a return in an ever-rising market to cover the brokers' fees. For others, a larger share of savings has been invested on often uncritical advice from a broker or a financial newsletter.

Small investors have been made more sceptical by recent revelations that a securities company covered the losses of cherished corporate clients, the uncovering of a series of investment scams, and the sight of their politicians making easy money in the Recruit stock scandal.

But Japan's punters appeared to be riding out their losses yesterday and, just before closing, Mr Fukaya was contemplating further purchases.

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Vickers up 20% as Brierley lifts stake

By Nick Garnett in London

VICKERS, the UK engineering, defence and Rolls-Royce cars group, yesterday announced an increase of almost 20 per cent in pre-tax profits for last year. At the same time, Sir Ron Brierley, the New Zealand entrepreneur, confirmed that he had raised his stake in the group from 17.25 per cent to 18.2 per cent.

Pre-tax profits for the 12 months to December increased from £69.8m to £83.6m ($142.1m) on turnover down more than 10 per cent from £776.3m to £695.7m. The drop in sales was mainly because of the disposal of Howson Algraphy, Vickers' lithographic plate-maker, midway through the year.

Operating profits on continuing activities were static, at £54.7m. Vickers said this was because of the sale of Howson (which contributed just five months' trading), the rundown of the Challenger 1 tank-building programme and a £4m fall in profits on property activities.

Rolls-Royce performed better than analysts expected, with operating profits up marginally from £23.2m to £24.7m. Vickers said currency movements cut profits at the division by about £6m.

Profits on defence and aerospace activities fell from £15.6m to £11.8m. For medical equipment, they rose from £6.9m to £8.9m and on marine engineering from £1.7m to £4.9m.

The biggest boost to overall profits resulted from interest accruing on trading cash-flows and money in the bank. Interest totalled £17.5m compared with a deficit of £7.4m in 1988.

"The main parts of the company are in very good shape indeed," said Sir David Plastow, group chairman. Earnings per share rose 20.7 per cent from 19.3p to 23.3p and proposed full-year dividend is 8.9p against 7.5p in 1988. Overall figures were better than analysts expected and Vickers' share price rose 10p to 205p.

Two unsettling issues remain for Vickers: IEP Securities has been stalking it for two years and has been trying to persuade the British group to hive off Rolls-Royce.

Vickers is issuing a letter to shareholders today saying Rolls-Royce will not be hived off and that to do so would be bad for the luxury car-maker.

At the current share price, Sir Ron would make a loss on his shareholding and some analysts believe that he has missed the boat by failing to sell his interest when Vickers' share price rose to 250p last year.

The other question surrounds potential orders for new tanks following the changes in eastern Europe. Vickers is still confident of orders, though the number might be 290 less than originally envisaged.

Lex, Page 26; Picture, Page 32

Akzo earnings hit record high

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres group, earned a record Fl 954m ($504.8m) in 1989 thanks to a buoyant economy, stable exchange rates and a better product mix. Reflecting the banner year Akzo raised its 1989 dividend to Fl 8 a share from Fl 7.50 in 1988.

Net income jumped 13 per cent to Fl 954m from Fl 843m, while per-share earnings rose a more modest 5 per cent to Fl 22.02 from Fl 20.94.

The robust performance was fuelled by healthy economic expansion worldwide, the Dutch guilder's relative stability against other currencies and Akzo's efforts to tilt its product mix toward higher value-added chemicals and fibres.

Mr Aarnout Loudon, chairman of the board, said yesterday that Akzo expected 1990 earnings to be maintained at 1989 levels "provided that the general economy does not develop adversely and exchange rates remain stable."

Mr Loudon's relatively optimistic forecast contrasts with that of more pessimistic observers who, during the past year, have predicted a chemicals industry slump.

Akzo's operating income surged 20 per cent to Fl 1.71bn in 1989 from Fl 1.42bn on growth across the board – in all product groups and geographic areas. Sales climbed 13 per cent to Fl 18.7bn in 1989 from Fl 16.6bn in 1988. Acquisitions accounted for 5 percentage points, higher selling prices 4 points, greater volume 2 points and exchange rates 2 points.

Mr Loudon also announced several strategic moves – including setting up more business units – designed to increase Akzo's efficiency and flexibility.

Akzo is also watching developments in eastern Europe and the Soviet Union where it has annual sales of almost Fl 500m, said Mr Loudon.

Barring the doors to the temple of doom

David Waller explains the role of administrators and how companies can benefit from their services

Sock Shop, Declan Kelly, British Island Airways, Zodiac Toys ... hardly a week has gone by this year without a large UK company getting into financial difficulties and finding itself in the hands of a receiver. Or, in the case of Sock Shop last week – and the UK subsidiaries of Drexel Burnham Lambert the week before – in the hands of a special type of receiver, known as an administrator.

The word sounds ominous, as if it were the title of a film starring Al Pacino or Michael Douglas. But the administrator is much misunderstood: his appointment to a company ought to be a lot less disturbing to management, employees, shareholders and creditors than that of a liquidator or an administrative receiver. Indeed, the administrator can often be a corporate saviour.

Administrators came into being as a result of the Insolvency Act 1986, a seminal piece of legislation which updated an area of the law that had not been properly reviewed in a century. There were technical reasons for creating this new type of legal being, but just as important was the desire to give financially-troubled companies a better chance of survival than they might have had under the old regime.

The new procedure is similar to old-fashioned receivership, but with some big differences. Both administrators and receivers take over the running of a troubled company. But the receiver does so at the express command of a creditor, a holder of a debenture or the charge over the company's assets, such as a bank. The receiver's job is to sell as many of the company's assets as necessary to pay off the debts to the creditor or banker who appointed him or her.

By contrast, the administrator is appointed by the Companies Court. The procedure is available not only to creditors but also to the company's management. Most important, the administrator has powers allowing him to hold creditors at bay – particularly those creditors who have powers superior to those of the receiver. Into this category fall landlords, purveyors of hire-purchase equipment, mortgagees and suppliers who delivered goods subject to "reservation of title," that is, those goods that in other circumstances could be reclaimed if the customer showed signs of getting into difficulty.

There are four criteria that can be cited as grounds for asking the court to appoint a receiver. In the case of Drexel's UK subsidiaries, the reason given by the directors was that the appointment would lead to "a more advantageous realisation of the company's assets" than via a liquidation. Sock Shop, more hopefully, urged that the appointment would lead to "the survival of the company ... [or any part of it] as a going concern."

Although the business prospects for these two companies are different, the circumstances are similar insofar as protection from creditors is likely to be beneficial to shareholders and creditors in general. Were Drexel, for example, to go straight into liquidation, it would be virtually impossible for the company to carry on trading. As it is, Mr Tim Hayward, the Peat Marwick McLintock partner appointed as administrator a fortnight ago, can conduct an orderly retreat from the various markets in which Drexel was a player.

Ms Sophie Mirman, founder, chairman and joint managing director of Sock Shop, and Messrs Peter DuBuisson and Phillip Sykes, partners of Binder Hamlyn and Sock Shop's administrators, all believe that the hosiery company's cash-flow problems are only temporary. Imagine, though, what might have happened if the administrators had not come aboard: the leaseholds on the company's numerous outlets would have been revoked and suppliers would have moved in to reclaim all the stock.

Mr Sykes explains that Sock Shop now has a breathing space. It can sort out its management problems and remedy its cash-flow crisis without creditors breathing down its neck. With luck, the company will emerge relatively unscathed in a few months' time.

Two technical points: the procedure is designed to serve the interests of creditors and not simply to keep businesses afloat. Within a matter of months Sock Shop will be obliged to do one of three things: go into liquidation; be handed back to its management; or present a scheme of arrangement to creditors. Second, the procedure cannot go ahead without permission from creditors holding a "floating" charge over the company's assets. This permission is not always forthcoming.

It is often said that administration is broadly equivalent to Chapter 11 in the US. Only broadly: the big difference is that, in the UK, management is handed over to an independent insolvency practitioner, rather than left in the hands of the managers who are embroiled in the company's troubles.

How successful has the scheme been? Administrators were appointed to 131 companies in 1987, 198 the following year and 129 last year, hardly enormous numbers when one considers that around 8,000 companies went bust last year. Although over half the companies are believed to come out of administration in a healthy state (the statistics are somewhat limited on this point), it is not clear that the mechanism is very helpful to those small companies most likely to have problems. For one thing, the legal costs are very high.

That said, it looks as though there will be many more administrators about as the economic slowdown takes its toll on corporate Britain.

Body Shop down despite EC doubts on animal testing

By Tim Dickson in Brussels and Maggie Urry in London

FEARS that cosmetics manufacturers will be required by the European Commission to test products on animals were dismissed yesterday by a senior EC official. He insisted that amendments to a 1976 European Community cosmetics directive being drafted in Brussels would not require any increase in animal testing.

However, the concern had already hit shares of Body Shop International, the natural cosmetics retailer. The shares fell 42p yesterday to close at 475p, making a two-day fall of 75p and cutting the company's stock market value by £64m ($108m) to £405.3m.

Dealers said, however, that Body Shop shares were tightly-held and little actual business was done. Analysts also suggested that Body Shop shares were vulnerable to rumours because they were highly rated and because specialist retailers were currently out of favour in the stock market.

The EC official, who said he found the behaviour of Body Shop's share price "incomprehensible," categorically denied suggestions that the proposed changes to the directive would have the effect of increasing animal testing. He added: "The Community has been doing its best to reduce or even to phase out this practice."

Mr Stuart Rose, a director of Body Shop, said the whole episode was "a storm in a teacup." He said the company did not expect that the Community would require increased animal testing.

Investors might have been confused, however, as Body Shop yesterday launched a petition against animal testing saying that the EC had proposed a new law "which will massively increase the use of animal testing."

Mr Rose said the petition had been launched on the off-chance that a "Brussels bureaucrat" might think animal testing was a good idea and Body Shop wanted to pre-empt any such move.

The petition, which customers in Body Shop branches are being asked to sign, asks the European Parliament to ban testing cosmetics on animals.

Body Shop has frequently put its campaigning role above short-term profits for its shareholders. Its publicity says that it "takes a holistic view of its business." It sees itself "not simply as a creator of profit for shareholders, but as a force for the welfare of its staff, the community and, ultimately, the planet itself."

The cosmetic industry has already lobbied the EC on the issue, arguing against increased animal testing, and the UK Government is known to oppose animal testing.

Proposed changes to the 1976 directive – setting out which ingredients can be safely used in cosmetics, those that should not be used under any circumstances and those that should be used sparingly – are thought likely to be agreed by the Commission within the next few months.

The main reason for the review, however, is understood to be concern that certain products on the margin of the cosmetics industry are quasi-medical – meaning that they induce physiological change.

Officials believe there is a grey area and that certain "developmental" products should be approved on the basis of the tougher medical requirements.

Saab falls 50% as car unit suffers big losses

By Robert Taylor in Stockholm

PRE-TAX profits at Saab-Scania, the Swedish automotive and aerospace group, halved last year to SKr1.6bn ($263.4m) from SKr3.2bn in 1988. The slump was mainly due to a loss of SKr2.1bn in the company's car division, which made a SKr11m pre-tax profit in 1988.

However, Mr Georg Karnsund, group chief executive, said yesterday that Saab-Scania entered the 1990s in a "strengthened financial position." The measures taken last year to improve the company's performance, including its car division's joint venture agreement with General Motors of the US signed last December, would ensure a stronger company in the years ahead. However, Mr Karnsund would not speculate when the new, jointly-owned Saab Automobile AB would make a profit.

The disastrous performance in the car division stemmed from the 17 per cent drop in auto sales to the vital US market. Saab-Scania said this resulted from reduced volume, under-utilised production capacity, competitive price pressures and expensive marketing support.

In western Europe there was a 5 per cent sales improvement in 1989, with the best-ever volume performance in the UK. The number of cars sold was 102,472 units compared with 116,288 in the previous year. Sales fell slightly to SKr15.35bn from SKr16.20bn.

The group warned that there were signs that the fierce competition for car sales experienced recently in the US was likely to hit Europe during the first half of the 1990s.

In contrast, the Scania truck and bus division consolidated its position last year with a 13 per cent increase in the volume of vehicles sold to a new record level of 35,600. This was the sixth consecutive year of rises. Sales rose by 17 per cent to SKr17.94bn from SKr15.36bn and profits by SKr145m to SKr3.58bn.

Mr Karnsund said the board had decided to increase its truck production capacity by as much as 50 per cent in the next few years. A new assembly plant would be built within the European Community and facilities in Sweden, Holland and Brazil would be expanded.

Saab-Scania also reported positive results in its aircraft activities, describing 1989 as the year when there was "a definite sales breakthrough" in its commercial aircraft. Profits were SKr54m against a previous loss of SKr138m.

INSIDE

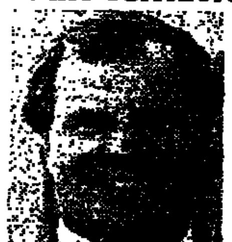
Zimbabwe reaps a harvest of light

Zimbabwe's farmers have seen the light, at least as far as runner beans are concerned. Tall iron towers topped with arc lights are scattered across fields to lengthen the daylight hours for acre upon acre of green runner beans, which within days find their way to shop shelves in Britain. For Zimbabwe's farmers, the produce is a welcome change from the more traditional crops of tobacco and maize, while the Government is happy with the employment and foreign exchange the new crop provides. Bridget Bloom reports, **Page 36**

Losing out in a merger

Not all the employees at Bergen Bank and Den norske Creditbank are overjoyed at the Norwegian banks' impending merger. The two yesterday announced staff cuts of between 1,100 and 1,200 from the current 8,000. In total, Bergen Bank and DnC aim to reduce domestic staff in the parent banks by 700 and foreign and domestic employees at subsidiaries by between 400 and 500. This will achieve cost savings in 1991 of between NKr500m ($77.3m) and NKr750m. **Page 28**

In the corridors of power



Four years ago Henry Barrett was a conservative, family-run steel and industrial products group. Then, the appearance of two young Turks in the forms of James and Richard Barrett, in alliance with finance director Stuart Greenwood (left), transformed the company. But their initial strategies had to be developed in the corridors due to a family tradition that barred the young Barretts from board meetings until they reached the age of 32. **Page 34**

Suffering from Japanese fall-out

Japan's discomfiture dominated the international stock market scene last week, as Tokyo fell 7.6 per cent, leading the FT-Actuaries World Index down to a 4.8 per cent decline on aggregate. Europe went through its own period of reappraisal, with the continent down 3.7 per cent on the week and Belgium, France, West Germany, the Netherlands and the UK all suffering above-average falls. Only Austria provided welcome relief. **Page 48**

Swapping relief for uncertainty

Any relief drawn by the swaps market from last week's Court of Appeal ruling that local authorities may manage their debt through their activity in the swaps market is likely to be short-lived. The market, and especially foreign banks, continue to be uncertain about exactly what local authorities can do, writes Deborah Hargreaves. **Page 30; Law Report, Page 35**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Dresdner Bk	400	+	25
Falls			
Daimler-Benz	858	−	5
Deutsche Bk	761	−	9
Hochtief	1140	−	53
RWE	413	−	4
Volkswagen	538.2	−	10.3

NEW YORK ($)

Rises			
Caterpillar	59⅛	+	1⅜
IBM	104⅛	+	1½
XTRA Corp	30	+	5¼
Falls			
Korea Fund	26¼	−	⅝
Malaysia Fund	16¾	−	1½
Tiffany's	34⅝	−	½

PARIS (FFr)

Falls			
Euromarche	3872	−	197.5
Ingenico	123	−	5.2
Legrand Adp	1602	−	92.3
Locafrance	490	−	21.1
Pernod Ricard	1094	−	187.3
SGE	212.1	−	9.5

TOKYO (Yen)

Rises			
Subaru Enter	1400	+	150
Falls			
Chubu Steiyo	1030	−	170
Kenwood	1000	−	170
Nikkatsu	532	−	90
Toshiba Eng	1360	−	220
Yuasa Funashoku	1000	−	190

LONDON (Pence)

Rises			
ASDA	109½	+	5½
Abbey National	181	+	5
Amber Day	51	+	4½
Argyll	210	+	5
BAT Inds	784	+	8
BET	238	+	3
BTR	404	+	7½
Barclays	586	+	16
Hatfield Ests	225	+	40
Hawker Sidd	613	+	8
ICI	1050	+	15
Rolls-Royce	189	+	2
Royal Ins	506	+	10
Sainsbury (J.)	261	+	5
Vickers	205	+	10
Falls			
Body Shop	475	−	42
Boots	283	−	3
Hammerson 'A'	700	−	23

Peugeot to buy back floating rate bonds

By George Graham

AUTOMOBILES Peugeot, the French car manufacturer, is to buy back an issue of floating rate bonds in the first reverse Dutch auction to be carried out in France.

Peugeot will offer to buy back its 1984 issue of TMO bonds, indexed on the average government bond yield, at a price of 96, and bondholders will have 10 days to make sealed bids at this price or higher.

At the time of its issue, the Automobiles Peugeot TMO 1984 totalled FFr1bn ($176.1), but only around FFr500m is estimated to be outstanding.

The reverse auction will be carried out by J.P. Morgan et Cie, the French arm of the US bank.

A number of French issuers have bought back their bonds at a fixed price tender, but this is believed to be the first time the Dutch auction technique has been used in France.

Rabobank boosted by income rise

By Laura Raun

RABOBANK, the big Dutch co-operative bank, boosted its net profit by more than 15 per cent in 1989 thanks to faster growth in income than in expenses.

Net profit climbed to Fl 898m ($475.1m) from Fl 778m in 1988 amid robust lending at home and abroad, which is Rabobank's core business, and buoyant securities underwriting. Total income grew nearly 8 per cent to Fl 5.2bn as net interest increased to Fl 4.2bn and commission income jumped 13.5 per cent to Fl 816m.

Looking ahead, Rabobank said "some improvement in the group's financial performance seems feasible in 1990." Higher Dutch interest rates expected from German monetary union will be offset by greater demand for Dutch imports, according to Mr HHF Wijffels, chairman of Rabobank.

Gardini attempts to force resignation of Enimont president

By John Wyles in Rome

MR RAUL Gardini yesterday sought to underline his emerging dominance of Enimont, Italy's public-private chemicals joint venture, by calling for the resignation of the company's president, Mr Lorenzo Necci.

He did so through Mr Carlo Sama, his right-hand man on the Enimont board, who declared that if he had been Mr Necci he would already have resigned his post.

"As far as the Enimont project is concerned, Necci has exhausted his role," he added.

This first move towards unseating Mr Necci can only inflame tempers within the Government, whose cabinet committee is meeting today to discuss how to resolve the now open warfare between Mr Gardini and Eni, the state energy group which holds an equal 40 per cent of Enimont with Gardini-controlled Montedison.

Montedison nominees failed to turn up for an Enimont board meeting yesterday "so as not to exacerbate the situation," according to a company statement last night. Nor will Montedison be present at the first meeting of the Enimont shareholders' assembly today.

The company's votes will be cast at a second meeting tomorrow, when only a simple majority is needed to nominate two directors to represent the 20 per cent of the company which was floated last autumn.

Mr Gardini is guaranteed the support of owners of 11 per cent of the stock and after the meeting will thus control 7 of the 12 seats on the Enimont board.

COMPANY NEWS IN BRIEF

LUFTHANSA, the West German airline, said it was holding talks about taking a minority stake in Interflug and on helping the East German airline to modernise its fleet, writes Andrew Fisher.

The two companies have already announced co-operation in such areas as catering and flight simulation.

Lufthansa and Interflug also plan to step up their network of flights in the two Germanys. Interflug has said it needs 12 new Airbuses to expand its scheduled flights.

■ Gevaert, the Belgian holding company, said 1989 net consolidated group profits fell 50 per cent to BFr2.12bn ($60.6m) from BFr4.21bn a year earlier, reflecting an "exceptional capital gain" of BFr3bn in 1988 from the sale of shares in Société Générale de Belgique, AP-DJ reports.

Gevaert also said it would propose raising its dividend to BFr200 a share from BFr185 last year, an increase of 8 per cent.

■ Siemens has announced that it is planning to double its output of 1-megabit chips from 20m to 40m in the current year, writes David Goodhart.

This is largely because of technological advances which make it possible for the company to fit more chips on each silicon wafer.

Despite a worldwide glut of such chips, the company says it is confident it can sell the new output.

■ Grundig, the West german consumer electronics group, said it will co-operate with Robert Bosch's Blaupunkt subsidiary in car radios to compete more effectively with Far East firms, Reuter reports.

Grundig said co-operation, which already covers making televisions, will be via three joint ventures.

■ Générale des Eaux, the French water treatment group, expects its consolidated net profit for 1989 to be between FFr1.820bn ($320.4m) and FFr1.83bn, up more than 30 per cent from the year-earlier total of FFr1.375bn, according to Mr Guy Dejouany, chairman, AP-DJ reports.

He was quoted in a French newspaper as saying that the figures are an upward revision of autumn forecasts of net profit on the order of FFr1.75bn.

Ciments Français forecasts 25% rise

By George Graham in Paris

CIMENTS FRANÇAIS, the French construction materials group, has announced that its net profits for 1989 are likely to have reached FFr1bn ($176.1m), up 25 per cent from the previous year.

The company said that sales last year amounted to FFr12.6bn, an increase of 26 per cent excluding Financiera y Minera in Spain and Set Cimento in Turkey, two acquisitions made in the course of the year.

All divisions made profits, despite heavy exceptional expenses for Ciments Français' acquisitions and an increase in financing costs.

Ciments Français also announced two new acquisitions in Turkey.

It will buy 60 per cent of Anadolu Cimento, which has a 500,000 tonnes a year cement works at Kartal, supplying around 10 per cent of the Istanbul cement market, from Transturk Holding.

It will also acquire Betoya, one of the leading industrial concrete producers in Turkey.

The company last year acquired five Turkish state-owned cement works for a total of $105m.

Although it has already paid more than $85m and has taken over management control of the plants, the deal is being contested in Turkey's administrative courts as an illegal privatisation.

Mr Pierre Conso, Ciments Français' chairman, has now sought to join in this lawsuit as an interested party.

Ciments Français also announced yesterday the results of its bid for Financiera y Minera in Spain. After originally buying a 24 per cent stake from Banco Central and acquiring some more shares in the market, its bid has brought in a further 39 per cent.

Its holding, direct and indirect now stands at 65 per cent at a total cost of FFr2.4bn.

The French company said it now planned to make Financiera y Minera the central holding company for its activities in Spain and Latin America.

Norwegian banks to axe up to 1,200 jobs in merger

By Karen Fossli in Oslo

BERGEN BANK and Den norske Creditbank (DnC), two of Norway's three largest banks which are in the process of merging to become Den norske Bank (DnB), announced yesterday staff cuts of between 1,100 and 1,200 from the current 8,000.

Their move is part of a consolidation effort ahead of the merger in mid-April in which they will become DnB, Scandinavia's seventh largest bank.

This year and last a spate of mergers have been announced by Scandinavian banks which reflects the acceleration in the deregulation and liberalisation of the banking sector in the region and a response to the stiff competition which they will face from banks in the European Community's integrated market.

Bergen Bank and DnC said they had cooperated closely with employee representatives to present staff with an offer "designed to induce voluntary resignation." They expect that through responses to their offer, other measures and regular retirement, actual domestic lay-offs will be under 300.

In total, the two banks aim to reduce domestic staff in the parent banks by 700 and foreign and domestic staff in subsidiaries by between 400 and 500 to achieve cost savings in 1991 of between NKr500m ($77.3m) and NKr750m.

"Den norske Bank will reduce costs over a broad range, where staff reductions are an important contribution for attaining a satisfactory level of total expenses," the bank explained.

Last week the two banks reported combined losses on loans and guarantees of NKr3.22bn for 1989, up from NKr2.99bn the previous year, in spite of improved operating performances.

Bergen Bank posted an operating profit of NKr500m for 1989 against NKr188m in 1988. Before losses and taxes, DnC reported an operating profit of NKr1.71bn in 1989 versus NKr972m in 1988.

Norway's banks for three years running have suffered major losses on loans and guarantees because of a downturn in the country's oil-dependent economy, which was hard hit by a plunge in 1986 of world crude oil prices.

A depression which subsequently followed exacerbated deteriorating commercial operating conditions and forced record levels of commercial and private sector bankruptcies which continue to have a negative effect on the banks' loan portfolio.

DnC was the hardest hit of the top three banks and 1988 introduced sweeping changes which included a 20 per cent staff cut, a 10 per cent cut in its loan portfolio, a 20 per cent costs cut and reorganisation into four divisions from five.

Mr Egil Gade Greve, the president of Bergen Bank who is to become the president of DnB, explained yesterday that staff reductions would be made at all levels, though the majority of cuts would be at lower levels. He said Norway's finance ministry approved the merger about 10 days ago.

RWE continues expansion by raising Hochtief stake to 50%

By David Goodhart in Bonn

RWE, West Germany's biggest energy concern, is set to take its stake in Hochtief, the country's second largest building group, to over 50 per cent.

Until now, RWE, which like Hochtief is based in Essen, has held just over 40 per cent of the building group.

The West German Cartel Office has confirmed that RWE has been negotiating to take over a 10 per cent stake in Hochtief from Commerzbank, which is seeking to reduce its industrial holdings.

RWE, like the other large energy groups, has been rapidly expanding and diversifying in recent months.

Meanwhile, the West German energy sector is hoping to be one of the most immediate beneficiaries from closer economic ties with East Germany.

The East German Heavy Industry Ministry has announced that it is negotiating with both KWU, the Siemens subsidiary, and Framatome, the French nuclear group, to build a new nuclear power plant at Stendal.

KWU, which recently announced a sharp drop in sales as a result of reduced demand for new nuclear plants in the West, is also hoping to benefit from orders to improve reactor safety at East German, and other East European, nuclear plants.

Nuclear lobbyists in West Germany even argue that raising safety standards in the East will help to improve the industry's image in the West and drive home the long-standing claim that "a Chernobyl" was only ever possible in the East.

But given the enormous cost of building up East Germany's nuclear capacity and the opposition of the country's Social Democrats, probably the dominant party after free elections, an easier way of reducing the current dependence on highly polluting brown coal is through direct links to the West German grid.

That can be done either by decoupling power stations from the West German grid and sending the power down a special line, as is already possible at the two Preussen Elektra stations near Helmstedt, or by building transformers which make the frequencies of the different grids compatible.

The transformers cost at least DM200m ($119m) and take about 18 months to build, the direct link is only slightly cheaper.

Both Preussen Elektra – part of the Veba group – and Bayernwerk are planning to build transformers.

UAP chief content with 25% stake in Sun Life

By Patrick Cockburn

UNION des Assurance de Paris (UAP), the largest French insurance group, has never considered bidding for full control of Sun Life, the UK insurer, and is satisfied with its 25 per cent holding, said Mr Jean Peyrelevade, UAP chairman, yesterday.

Mr Peyrelevade, in London for UAP's FFr6.57bn ($1.16bn) international share offering, said: "I don't know why the city imagined we were going to bid. We are not predators."

He added that TransAtlantic, the group headed by Mr Donald Gordon, which owns 29 per cent of Sun Life, had committed itself not to bid, but had received a degree of financial protection.

Nevertheless Mr Peyrelevade emphasised that if UAP's strategy of becoming a powerful minority shareholder in major European insurance groups came under threat from any quarter he would launch a counter attack.

Since purchasing 34 per cent of Groupe Victoire from Suez in November last year UAP has been the second largest insurance company in Europe behind Allianz of West Germany. Its share offering yesterday is to enable the company to continue its acquisition programme at the same rate in future.

Mr Peyrelevade said he believed that European insurance in the 1990s will come to be dominated by the largest groups, with smaller companies finding niches in the market, but with the the medium-sized insurers being squeezed.

Of the large French insurance companies, UAP and Axa Midi have made clear in recent weeks that they are not contemplating any fresh acquisitions in the UK, while AGF and GAN have bought small insurance companies.

Speaking of UAP's 10 per cent cross shareholding with Banque National de Paris, the largest French retail bank, Mr Peyrelevade said that the aim at present was to distribute non-life products through the bank's branches. On the life side the two companies would continue to compete.

Wang's lease-financing side to be sold for $250m

By Karen Zagor in New York

WANG Laboratories, the struggling minicomputer manufacturer, is to sell its lease-financing operations, including Wang International Financial for about $250m to GE Capital, a leading worldwide financial organisation.

About $215m from the sale is earmarked to reduce Wang's debt to its bank group. The remaining $35m will go towards improving the company's cash position, the company said.

Wang, based in Lowell, Massachusetts, has made heavy cuts to its debt burden since last autumn, when the company started raising cash through asset sales. The latest sale will reduce Wang's bank group debt to about $93m, from $575m last August.

Mr Richard Miller, Wang's president and chief operating officer, said: "This transaction ensures that our customers will continue to have their financing needs met.

"GE Capital has agreed to provide our domestic and international customers with competitive financing and to facilitate their acquisition of Wang Systems." Mr Miller, a former executive of General Electric, also said that Wang was actively negotiating the sale of other non-strategic assets. "These transactions are expected to generate additional cash during the next few months which could enable the company to totally eliminate all debt to its bank group."

In the second quarter ended December 31, Wang reported a net loss of $10.5m or 6 cents a share, compared with a loss of $62.1m or 38 cents in the first quarter. In the second quarter of the previous year, Wang had net profits of $1m or 1 cent a share.

Wang's losses forced the company last year to renegotiate its debt and appoint Mr Miller as president and chief operating officer. Shares in Wang rose $¼ to $4⅛ at midday yesterday in New York. The company's issues traded in a range of $7½ to $16½ in 1988, before Wall Street became alarmed about Wang's future.

Harley-Davidson moves ahead

By Roderick Oram in New York

HARLEY-DAVIDSON, one of corporate America's favourite turnround stories, has reported further strong gains for its core motorcycle business last year but its efforts to diversify were hampered by falling sales at its mobile home subsidiary.

It bought Holiday Rambler, an up-market recreational vehicle (RV) maker, in late 1986 hoping its loyal motorcycle riders might switch to mobile homes as they got older and wealthier.

But the group blamed an industry-wide downturn for a decline in Holiday Rambler's RV sales in the fourth quarter by $15.5m to $43.9m.

"The current downturn in the RV market, which we do not believe will be long-lived, has given us time to rechannel our manufacturing and marketing efforts at Holiday Rambler," said Mr Richard Teerlink, president.

Net profits from Harley-Davidson's continuing operations for the fourth quarter ended December rose to $6.8m from $6.3m a year earlier.

In the latest period, a net $3.4m from discontinued operations and a $578,000 loss from debt retirement produced a final net of $9.6m, or $1.11 a share.

A year earlier, a $237,000 loss from discontinued operations and a charge of $658,000 for debt retirement made the final net $4.8m, or 56 cents.

Sales improved by 7.8 per cent to $201.6m from $187.1m. Motorcycle sales increased by 28 per cent with worldwide unit shipments ahead by 1,640 motorcycles.

But sales in the transportation vehicles segment, including mobile homes, fell $17.2m or 21.5 per cent.

For the full year, Harley-Davidson had net profits from continuing operations of $32.6m, against $27.2m. Profits from discontinued operations plus other special items made the final net $32.9m, or $3.81 a share, compared with $23.9m or $3 a year earlier.

Sales rose 11.5 per cent to $791m from $709.4m. Motorcycle sales increased by $98.2m or 24.7 per cent with unit shipments rising 16.6 per cent.

Asset sell-offs aid Burns Philp

By Chris Sherwell

BURNS PHILP, the Australian trading and retail group, yesterday reported near-doubled equity-accounted profits as earnings from associates and abnormal gains from asset sales boosted earnings from mainstream businesses.

Interim figures for the six months to December showed a moderate 7.5 per cent rise in after-tax operating profit to A$45.8m (US$35.2m). But A$23.4m was added in abnormal gains, chiefly from the sale of the Cafe-Bar food ingredients business to Unilever, and a doubled A$7.3m contribution from the 46 per cent-owned QBE Insurance.

This took overall equity-accounted profit after abnormals to A$76.6m, a 94 per cent rise on the previous corresponding period.

Similarly, Burns Philp's acquisition of new businesses increased the group's modest 9 per cent sales rise from continuing operations to a 26 per cent advance, for overall revenues of A$1.1bn.

Directors declared an interim dividend of 8 cents a share, up 17 per cent, which compares with an adjusted 6.8 cents in the year-ago period.

Hardware retail and South Pacific businesses improved their profit contributions. The food and fermentation division contributed the most to sales (A$358m) and profit (A$26.7m), while shipping and trading contributed least.

North Broken Hill slips midway

NORTH BROKEN Hill, the Australian forestry and base metals group, has reported after-tax equity-accounted profits of A$51.3m (US$39.5m) for the six months to December, writes Chris Sherwell. This is down from A$62.5m in the corresponding period of the previous year, on revenues which fell to A$838m from A$930m.

However, the previous year's profit figure included a special dividend of A$10m from 40 per cent-owned Pasminco, the international base metals business set up with CRA, and proceeds from the sale of interests such as Peko Oil. On a pre-equity-accounting basis, after-tax operating profit rose to A$49m from A$40m.

Directors declared a fully franked interim dividend of 5 cents a share.

Earnings before interest and tax declined at the group's forestry and paper operations to A$26m from A$43m.

This fall was offset by a rise in earnings before interest and tax at the mining and industrial division, to A$49m from A$23m, due mainly to record production from the Robe River iron ore operation.

The Ranger uranium mine also lifted its contribution to A$52m from A$43m.

HK and China Gas gains customers

By John Elliott in Hong Kong

HONG KONG and China Gas, the local monopoly known as Towngas which is controlled by Henderson Land Development, has announced a 26.1 per cent increase in after-tax profits to HK$535m (US$69m) for the year ended December 31. Turnover rose 19 per cent from HK$1.53bn to HK$1.82bn.

Mr Lee Shau Kee, whose family controls Henderson, said there had been an 11.6 per cent increase in Towngas sales to 13.67bn megajoules. Hong Kong's construction boom brought in 72,224 new customers, making the total 689,159.

But growth in the second half of the year had not met expectations, partly because the weather had been warmer than expected.

Last September a contract was signed with Babcock Contractors of the UK for supply and construction of four naphtha-based town gas process trains adjacent to Towngas's Tai Po Plant, which will begin to come on stream from late next year. This is part of a HK$1bn project to produce 200m cu ft of gas a day, doubling existing production.

A final dividend of 35 cents a share was declared, bringing the total to 54 cents for the year.

Bridgestone rises 24% after surge in exports

By Robert Thomson in Tokyo

BRIDGESTONE, Japan's largest maker of rubber products and automobile tyres, reported a 24 per cent increase in pre-tax profit to Y87bn ($592m) for the year to end December after a surge in exports during the period.

Total sales for the year were Y698.9bn, up 12 per cent, while export sales rose 30 per cent to Y222.5bn, following an expansion of retail outlets in North America and strong demand from Europe and the Middle East.

Domestic sales rose 6 per cent to Y476.4bn, while tyre sales, comprising 78 per cent of non-consolidated revenue, were Y546bn, an increase of 12 per cent. Sales of non-tyre products, including chemical products and sporting goods, rose 16 per cent to Y152.9bn.

For the current year, the company expects that sales will increase 2.3 per cent to Y715bn, with a 6.8 per cent increase in pre-tax profit to Y93bn.

Goldstar holds profit at Won18bn

By John Ridding in Seoul

GOLDSTAR, one of South Korea's largest electronics manufacturers, yesterday announced net profits of Won18bn ($26.1m) for 1989, unchanged over the figure for 1988.

However, the underlying performance was much worse as virtually all of the net profits resulted from extraordinary gains from the sale of securities holdings and the disposal of Goldstar's semiconductor business to another member of the Lucky-Goldstar group of companies.

This was reflected in a recurring deficit of Won41bn at the year-end, compared with a recurring profit of Won19.4bn at the end of 1988.

The downturn in the company's fortunes was caused by severe and protracted strikes which closed many of Goldstar's plants for three months. As a result, sales slipped from Won2,830bn to Won2,600bn with exports falling by more than 20 per cent.

Analysts said that the second half of the year had shown some recovery after the net deficit of Won10.5bn in the first half and that this recovery should continue into the current year. They are forecasting a 20 per cent increase in sales for 1990, provided labour disputes do not recur.

The release of Goldstar's results coincided with figures from the South Korean Ministry of Trade and Industry which showed a poor start to the year by Korean electronics companies.

According to the figures, exports of electronic products fell sharply in January compared with the same period in 1988. Exports of microwave ovens fell by almost 50 per cent to $34.9m and exports of video cassette recorders declined by over 70 per cent to $64.9m. Most other products also registered a fall although television shipments remained constant at $77m.

The Korean Electronics Industry Association says the weakness of the yen is responsible for the falls.

Revived Indian shipping group sets sail once more

By R.C. Murthy in Bombay

SCINDIA Steam Navigation, India's oldest private sector shipping company – which three years ago was near bankruptcy – has set sail again, with help from a government relief package and a revival in international freight.

The company, which has been in the cargo haulage business for 70 years, this month resumed its liner trade after a gap of two years. It plans to deploy five ships in liner business, which is not as profitable as tramp shipping.

Scindia Steam had 22 ships, several of them stranded at overseas ports for non-payment of dues, when a state-appointed board took over management in mid-1987.

In a large-scale rationalisation, the board laid off the company's shore staff, scrapped nine ships and redeployed the remaining 13 on time charter – six to the state-owned Shipping Corporation of India and five to foreign shipping companies.

The company operated on a shoe-string budget for three years and reached agreement with its creditors who accepted a one-fifth payment in full settlement of their dues. The Indian Government converted Rs342.6m ($20m) interest on loans into zero-interest bonds.

The two-year lay-off of employees was lifted last November, after more than half its 200 shore staff accepted voluntary retirement. Those returning to work agreed a 15 per cent wage cut.

With reduced overheads, Scindia is better placed now than a year ago to resume normal business. Scindia Steam is back in the black for the first time in eight years with a Rs16m profit for the nine months to March 1989. In the following nine months to December 1989, its earnings in charter hire trebled to Rs330m from Rs102m, says Mr N.S. Parulekar, chairman. He expects the company to close 1989-90 with record earnings of Rs500m.

The group has proposed a further restructuring to the state-owned financial institutions of Rs1bn of its Rs1.38bn debt, aimed at bringing down interest costs and improving liquidity.

This plan includes expansion of its fleet – the average age of its ships is 12 years. Two secondhand bulk carriers will be acquired over the next three years to diversify the fleet mix and enhance profitability.

The Scindia share price, which hit its nadir of R3 four years ago, has bounced back to Rs13.50 this month on the Bombay Stock Exchange.

Sasol output hit in fire aftermath

By Jim Jones in Johannesburg

SYNTHETIC fuels production has been hit at Sasol, the South African oil-from-coal company, in the half year to December 23 1989, in the aftermath of a fire. Further production shortfalls are expected in the rest of this financial year.

Last year's fire was caused by corrosion of equipment, exacerbated by operating the Sasol 2 synfuels plant some 20 per cent above its original design capacity. Maintenance procedures have been stepped up and the affected equipment is being replaced with stainless steel versions.

Production details were not disclosed, but higher crude oil prices, on which Sasol's selling prices are based, increased and led to greater turnover and profits.

Turnover in the first half to December 23 increased to R2.36bn ($929m) from R2.04bn in the corresponding period of 1988, while the interim operating profit before dividend income and tax payments rose to R603.1m. In the last financial year turnover was R4.09bn, trading profit R1.09bn and pre-tax profit R1.13bn.

First-half earnings rose to 58.6 cents a share from 49.6 cents, and the interim dividend has been lifted to 27.5 cents from 25 cents. Last year's full earnings were 111.7 cents and total dividend was 52.5 cents.

Sasol is appraising its product mix and shifting towards greater production of value-added products rather than of chemical feedstocks or comparatively cheap petrol. The Sasol 1 plant, in operation for over 30 years, is to cease petrol production and will be converted to petrochemicals production based on feedstocks from the larger and more modern Sasol 2 and 3 plants.

In Johannesburg yesterday Mr Paul Kruger, managing director, said that Sasol had recently produced its first polypropylene and was planning to set up a plant capable of more than satisfying South Africa's requirements. The intention was to build a plant with an annual polypropylene capacity of 120,000 tonnes, which would cover the present 30,000 tonnes shortfall in domestic production and allow exports.

Mr Kruger added that fertiliser sales had been affected by lower demand and that returns on investment remained unsatisfactory. He did not expect a great improvement until the market strengthened.

Samancor lifts sales despite fall in demand

By Jim Jones

SAMANCOR, South Africa's largest ferro-alloys manufacturer, has lifted its interim sales by a quarter despite slacker demand for ferrochrome and chrome ore.

However, Mr Colin Officer, chairman, warned that second-half profits were likely to be lower than the first half's. The interim turnover was lifted to R1.0bn ($394m) in the six months to December 31 1989 from R801m in the corresponding year-ago period.

The interim pre-tax profit was R578.6m against R360m. For the last financial period – the 15 months to June 30 1989 – turnover totalled R2.13bn and pre-tax profit was R839.5m.

Ferro-chrome prices were particularly strong during the six months to June 1989 and Samancor, with other South Africa producers, kept its furnaces running rather than closing them for routine maintenance. During the past six months the company increased capacity at its Tubatse ferrochrome facility, lifting the company's annual capacity to 620,000 tonnes from 560,000.

However, the ferro-chrome market is now oversupplied, prices have tumbled to 53 US cents/lb in Europe from 80 cents less than a year ago and Samancor – again like its competitors – plans to take advantage of the market's quietness to maintain its furnaces.

Production is expected to be reduced to an annual rate of about 450,000 tonnes.

First-half earnings were 194.6 cents a share and an interim dividend of 70 cents was declared. Earnings totalled 378.4 cents a share in the past 15-month period, giving a total dividend of 200 cents.

■ Burnett & Hallamshire of the UK is reportedly negotiating the disposal of Rand London Corp, its troubled South African coal and minerals company. The prospective buyer's identity was not disclosed.

Comalco suffers from lower prices and dispute in US

By Chris Sherwell in Sydney

COMALCO, the listed aluminium subsidiary of CRA, the Australian resources group, yesterday blamed lower prices and a US industrial dispute for a one-third decline in annual profits.

Releasing results for the 12 months to December, it reported an after-tax operating profit of A$270.3m (US$208m), down 34 per cent on 1988. Earnings on an equity-accounted basis were A$310m, down 32 per cent from A$455.5m.

Citing lower prices for primary metal, the company said 1989 saw aluminium production start to overtake consumption, and added that supply now outstripped demand. It said tight conditions for alumina supply in 1989 were also expected to ease.

Comalco's industrial problem involved a dispute which lasted 10 weeks at its US subsidiary. But the company pointed out that overall earnings were still its second highest. Revenues, at A$2.4bn, were down from A$2.5bn.

The directors declared a fully franked dividend of 18 cents per share, making 30 cents for the year, down from 32 cents a share in 1988.

The company said that its bauxite, kaolin, alumina and primary aluminium facilities all operated at record or near-record levels. But its rolled and extruded products businesses in Australia were affected by high metal costs, declining exports of can stock to South East Asia and the impact of high domestic interest rates.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 26, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.6237	34.7027	39.3849
Albania	(Lek)	10.106	5.9692	3.5335	4.0103
Algeria	(Dinar)	13.54	7.9976	4.7342	5.3730
Andorra	(Fr Fr)	9.6850	5.7206	3.3863	3.8432
	(Sp Peseta)	183.55	108.4170	64.1783	72.8373
Angola	(Kwanza)	51.12u	30.0412	17.8741	20.2857
Antigua	(E Carr $)	4.610	2.7229	1.6118	1.8293
Argentina	(Austral)	7177.03	4239.2380	2509.4510	2848.0277
Aruba	(Florin)	3.056	1.8050	1.0685	1.2126
Australia	(Aus $)	2.2200	1.3112	0.7762	0.8809
Austria	(Schilling)	20.115	11.8812	7.0332	7.9821
Falkland Is	(Falk £)	1.00	0.5906	0.3496	0.3968
Faroe Is	(Danish Kroner)	10.9825	6.4870	3.8400	4.3581
Fiji Is	(Fiji $)	2.5511	1.5068	0.8919	1.0123
Finland	(Markka)	6.7305	3.9754	2.3533	2.6708
France	(Fr)	9.6850	5.7206	3.3863	3.8432
Fr. Cty/Africa	(CFA Fr)	484.25	286.0307	169.3181	192.1626
Fr. Guiana	(Local Fr)	9.6850	5.7206	3.3863	3.8432
Fr. Pacific Is	(CFP Fr)	175.00	103.3668	61.1888	69.4444
Gabon	(CFA Fr)	484.25	286.0307	169.3181	192.1626
Gambia	(Dalasi)	512.25	302.5694	179.1083	203.2738
Germany East	(Ostmark)	2.8600	1.6893	1	1.1349
Germany West	(DMark)	2.8600	1.6893	1	1.1349
Ghana	(Cedi)	525.91	310.6379	183.8846	208.6944
Gibraltar	(Gib £)	1.00	0.5906	0.3496	0.3968
Greece	(Drachma)	270.00	159.4802	94.4055	107.1428
Greenland	(Danish Krone)	10.9825	6.4870	3.8400	4.3581
Grenada	(E Carr $)	4.610	2.7229	1.6118	1.8293
Guadaloupe	(Local Fr)	9.6850	5.7206	3.3863	3.8432
Guam	(US $)	1.6930	1	0.5919	0.6718
Guatemala	(Quetzal)	6.3951	3.7773	2.2360	2.5377
Nauru Is	(Australian $)	2.2200	1.3112	0.7762	0.8809
Nepal	(Nepalese Rupee)	48.490	28.6414	16.9545	19.2420
Netherlands	(Guilder)	3.2200	1.9019	1.1258	1.2777
N'nd Antilles	(A/Guilder)	3.056u	1.7868	1.0685	1.2126
New Zealand	(NZ $)	2.8855	1.7043	1.0089	1.1450
Nicaragua	(Cordoba)	68042.00	40190.1949	23790.9090	27000.7936
Niger Rep	(CFA Fr)	484.25	286.0307	169.3181	192.1626
Nigeria	(Naira)	13.39	7.9090	4.6818	5.3134
Norway	(Nor. Krone)	11.0125	6.5047	3.8505	4.3700
Oman	(Rial Omani)	0.6530	0.3857	0.2283	0.2591
Pakistan	(Pak. Rupee)	35.80	21.1458	12.5174	14.2063
Panama	(Balboa)	1.6930	1	0.5919	0.6718
Papua New Guinea	(Kina)	1.6394	0.9683	0.5732	0.6505
Paraguay	(Guarani)	2168.99	1281.1518	758.3881	860.7103
Peru	(Intl)	21749.25	12846.5741	7604.6328	8630.6547
Philippines	(Peso)	35.70	21.0868	12.4825	14.1666
Pitcairn Is	(£ Sterling)	1.00	0.5906	0.3496	0.3968
	(NZ $)	2.8855	1.7043	1.0089	1.1450
Poland	(Zloty)	16187.00	9561.1340	5659.7902	6423.4126
Portugal	(Escudo)	251.10	148.3165	87.7972	99.6428
Puerto Rico	(US $)	1.6930	1	0.5919	0.6718
Virgin Is-US	(US $)	1.6930	1	0.5919	0.6718
Western Samoa	(Tala)	3.8817	2.2927	1.3572	1.5403
Yemen	(Rial)	16.648	9.8334	5.8209	6.6063
Yemen PDR	(Dinar)	0.5810u	0.3393	0.2031	0.2305
Yugoslavia	(Dinar)	20.0341	11.8334	7.0049	7.9500
Zaire Rep	(Zaire)	817.15	482.6639	285.7167	324.2658
Zambia	(Kwacha)	40.90	24.1582	14.3006	16.2301
Zimbabwe	($)	3.910	2.3095	1.3671	1.5515

Special Drawing Rights February 23, 1990 United Kingdom £1.28897 United States $1.32571 Germany West D Mark 2.22388 Japan Yen194.084 European Currency Unit Rates February 26,1990 United Kingdom £1.39948 United States $1.21438 Germany West D Mark 2.04684 Japan Yen180.421

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US dollar
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, February 26, 1990

INTERNATIONAL CAPITAL MARKETS

Swaps market still beset by legal uncertainties

By Deborah Hargreaves

ANY RELIEF drawn by the swaps market from last week's Court of Appeal ruling that local authorities may manage their debt through their activity in the swaps market is likely to be short lived.

The market continues to be clouded with uncertainty about exactly what local authorities can do. They are are not expected to make a rapid return to the market.

What is more, the ruling does not remove the questions that some foreign banks have been asking about London's position as a market centre. The banks say they will not conduct any new business with local authorities – which at the height of their activity had taken a 10 per cent slice of the £30m to $40bn sterling interest rate swaps market – until there is some legislation that covers their market activity.

What the banks will do about swap contracts still outstanding with Hammersmith and Fulham, where about 80 per cent of the authority's business has been left as illegal, is unclear.

One way to ensure payment of outstanding liabilities is to take court action and the banks are still considering further litigation.

An immediate reaction to Thursday's ruling was a slight flurry of activity in UK gilts, where some banks were buying hedges to cover their swaps exposure. But a few players believe this was caused almost as much by the market talking up prices in anticipation of some increased buying.

Gilts settled down on Friday and appeared unaffected yesterday.

The banks can treat their exposure to Hammersmith and Fulham's swaps activity in several ways. Swap contracts can be terminated, which means both parties agree to a one-off payment and the contract is torn up. This has been done by several banks, largely at the instigation of the local authority.

Few of the banks with exposure to Hammersmith and Fulham will be carrying the contracts as open positions, which means they maintain an active hedge on that contract in the gilts market.

Some of them returned to the gilts market on Thursday to renew their hedges now that they expect local authorities to begin payment of their liabilities again.

What is more likely is that the banks which will have offset a swap contract with a local authority by another swap with a different counterparty will write off the local authority side of the swap. They will then return to the swap market to establish a leg of the contract to replace the local authority deal.

The market expects to see banks gradually becoming buyers of three-, four- and five-year maturity swaps to balance their books. This is expected to narrow bid-offer spreads on swaps which have widened this year as market liquidity has suffered.

Swaps are currently offering a yield over the gilts market of as much as 70 basis points for some interest rate deals, which means banks entering the market will find some attractive buying opportunities. However, swaps liquidity has suffered as a result of the legal imbroglio in the market.

Foreign banks have been reluctant to deal with local authorities for some time.

Mr Mark Blundell, who arranges swaps for Westdeutsche Landesbank in London, says: "This further raises the cost of our doing business here because before we enter contracts that are perfectly legal everywhere else, we have to waste time and energy getting a legal opinion." This is in a market which is already dominated by legal doctrine to a far greater extent than many other markets.

Formosa Plastics plans $450m issue

FORMOSA Plastics, Taiwan's largest plastics group, is to issue US$450m worth of convertible Eurobonds this year. Several other local companies are seeking regulatory approval to float Eurobonds, writes Peter Wickenden from Taipei.

The bonds will have a 10-year maturity and are likely to have a coupon rate of between 0.75 and 1 per cent. Formosa Plastics is believed to be negotiating with about 30 foreign banks and securities houses for the management and underwriting of the issue.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8¾ 96	750	96¾	97	+0⅛	-0½	9.25
Alberta 9½ 95	600	100½	101	+0⅛	-0⅛	9.18
Austria 9¼ 93	140	101½	102	+0⅛	0	8.94

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99⅜	0	-0⅛	0.07
Canada 5⅝ 93	80	96⅛	96⅜	-0⅛	-0¼	6.88
Cr.Local France 6⅛ 94	300	96½	96¾	0	-0⅛	6.58

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
E.I.B 4⅝ 98	150	†82½	83	-0¼	+0⅛	7.48
Finn. Exp. Cd. 8¼ 92	75	†98	98¼	+0⅛	-0⅛	9.05
Fletcher Chall. 4⅞ 96	150	†74½	74⅝	-1⅛	-0⅞	9.49
I.A.D.B. 6 2004	200	†88	89	0	-1½	7.30
Kobe City 4⅝ 98	150	†82	83	0	-1¼	7.51
Leeds Perm. B/S. 4⅞ 93	200	†85¼	85½	-0⅛	-2⅛	9.76
Malaysia 5¼ 98	100	†76½	77	0	+0¼	9.37
Maxwell Comm.Crp. 5 95	150	†80¼	81	-0⅛	-0¼	9.85
Nat. Bk. Hungary 5½ 94	75	†82	82¼	-2⅜	-3⅜	10.39
Nationwide Ang. B/S. 4 93	200	†86½	87½	-0¼	+0⅛	8.68
Prov. Newfoundland 5 03	150	†78	78½	-0½	-1¼	7.59
Thailand 4⅝ 95	200	†82	82¼	0	-1⅞	8.95
World Bank 5 03	150	†81	81¼	-0⅞	-0⅜	7.24

Average price change... On day -0⅛ on week -0⅝

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ranks Hovis 4¾ 03 £	†1/88	3.5	114	115½	-0¼	4.86
Redland 7¼ 02 £	1/87	5.4	99⅞	100⅞	-2⅛	2.85
Silicon Graphics 8 04 US	10/89	4.41	–	–	–	–
Sumitomo Bank 3⅛ 04 US	6/89	23.18	134¼	135¼	-2¼	-0.09
Texas Inst. 2¾ 02 US	2/89	3897.	75⅞	76⅞	-1¼	12.54
Utd.N'papers 8 04 £	9/87	82.87	–	–	–	–
W.R. Grace 6¼ 02 US	†10/89	8.77	119½	120½	-1	108.96
	9/87	42.12	88½	89½	-0¼	29.82

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; State Bank of Victoria; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities

INTERNATIONAL CAPITAL MARKETS

Japan moves again to hold interest rates in check

By Stephen Fidler in Tokyo, Janet Bush in New York and Andrew Freeman in London

JAPAN'S Ministry of Finance moved in again yesterday to keep down long-term interest rates, buying government bonds in the market and postponing an issue of 10-year government bonds due today.

As it did last week, the Ministry of Finance used its debt consolidation fund to buy bonds to prevent long-term yields from rising above the 7 per cent level. It said the 10-year issue, partly sold at auction, would go ahead later in the week.

GOVERNMENT BONDS

Buying was estimated at about Y100bn and the move helped prices rally, bringing the yield on the benchmark bond down from its high for the day of 7.01 per cent to 6.86 per cent by the close. This compares with Friday's Tokyo close of 6.895 per cent.

Bond prices have been weak as investors have perceived a deep policy dilemma for the financial authorities. In spite of Bank of Japan intervention, estimated at $2bn, the yen continued to weaken in Tokyo trading yesterday, heightening worries about imported inflation.

Only a sharp rise in the official discount rate from the current 4.25 per cent may be enough to prop up the currency, yet this could accelerate the downward spiral of the stock market. "They are damned if they do and damned if they don't," said Mr George Nimmo, of Swiss Bank Corporation International, in Tokyo.

A source at the Bank of Japan was quoted by a Japanese news agency yesterday as saying that the weakness of the equity market could have an impact on monetary policy.

■ US TREASURY bonds registered healthy gains yesterday, underpinned by a strong dollar and price gains in the Japanese government bond market.

In late trading, the Treasury's benchmark long bond was quoted around ¾ point higher for a yield of 8.48 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-15	+2/32	12.66	12.67	12.21
		10.500	5/99	94-00	+1/32	11.56	11.58	11.18
		9.000	10/08	87-00	+4/32	10.61	10.67	10.25
US TREASURY *		8.500	02/00	100-08	+17/32	8.46	8.49	8.46
		8.500	02/20	100-04	+24/32	8.49	8.52	8.52
JAPAN	No 119	4.800	6/99	88.0151	-0.098	6.92	6.88	6.34
	No 2	5.700	3/07	93.3757	-0.531	6.52	6.33	6.34
GERMANY		7.125	12/99	90.2500	0.450	8.63	8.65	7.71
FRANCE	BTAN	8.000	10/94	90.5218	0.287	10.87	11.06	10.32
	OAT	8.125	5/99	88.6500	0.180	10.06	10.44	9.62
CANADA *		9.250	12/99	92.3500	-0.100	10.52	10.48	9.98
NETHERLANDS		7.500	11/99	90.9500	0.200	8.92	8.98	8.28
AUSTRALIA		12.000	7/99	92.8808	-0.300	13.34	13.28	12.75

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Treasury bonds had started with gains of as much as ¾ point on expectations that the US equity market would be under pressure following the plunge on the Tokyo Stock Exchange, its second largest. Then prices slipped off their highs as the US stock market rose, only to recover again in tandem with shares.

The Japanese bond market was helped by the Finance Ministry's substantial buying and by a flight to quality from the stock market.

In New York, the US Federal Reserve was reported to have been selling dollars to counteract weakness in the yen, following substantial sales of dollars overnight by the Bank of Japan.

Nevertheless, the dollar was quoted only modestly below its highs in late New York trading at Y148.65 from a peak of Y149.05.

Apart from the ripple effect from foreign markets, there was little going on in the Treasury market yesterday, with no significant economic releases on which to focus.

■ IN GERMANY, activity retreated as the annual carnival holiday got under way. The bund market shrugged off the overnight news from Japan, with domestic political factors continuing to set sentiment.

The cash market was quiet, with most benchmarks fixed in the morning slightly better or almost unchanged from Friday's close.

The 7⅛ per cent bund maturing 2000 was fixed at 93.88, up 3 pfennigs to yield about 8.69 per cent.

After a volatile start which saw the March contract jump about 40 pfennigs shortly after opening, the futures market settled to trade some 15 pfennigs above Friday's close. Volume declined sharply from last week's average of about 50,000 contracts and by the close a mere 13,500 contracts had been traded. The March contract was quoted at 82.58.

Analysts said that Friday's money supply figures, although above expected levels, had been largely discounted.

Import price figures due this week will be watched carefully for signs of further pressure on domestic inflation.

■ THE UK gilts market was briefly lower early in the day as events in Japan unnerved traders.

However, fears that Japanese institutions would look to take profits on the back of currency gains proved over-sensitive and prices recovered.

At the long end the benchmark maturing 2003-07 gained about ⅜ point to yield 11.12 per cent, while at the shorter end prices were around 1/16 higher.

Speculation that a large buyer was in the market sent prices of selected index-linked gilts up by more than a point. The 2024 stock rose by 1 1/16, suggesting some short sellers were being squeezed.

Kuwaiti groups seek openings in Far East

By Tony Walker in Cairo

KUWAITI financial institutions are lookingly increasingly to the Far East for new investment opportunities. The aggressive entry of Asian trading and construction companies into Gulf business since the winding down of the Gulf war in August 1988 is helping to fuel the trend.

Kuwait International Investment (KIIC), in partnership with Bank Indosuez, plans to launch a US$50m fund, to be be known as the Dragon Fund, to trade in Far Eastern equity markets ranging from Australia to India. Mr Imad Moosa, chief economist of KIIC, said that Gulf investors were becoming "more sophisticated financially," and were looking beyond traditional investment outlets in Europe and North America.

National Bank of Kuwait is also broadening its presence in Asia, establishing a merchant bank in Indonesia to complement the activities of its Singapore branch.

NBK estimates the bank's business with the Far East has grown by about 25 per cent in the past year. It expects Japan's presence in the Gulf to become even more conspicuous in the next few years.

Korean and Taiwanese companies have also been flooding into the Gulf in search of trading and construction opportunities.

The Kuwait Investment Authority, the investment arm of the Kuwaiti Finance Ministry which manages nearly all Kuwait's reserves of US$95bn, recently established a separate unit to investigate business openings in China.

The KIA has been investing in China for the past three years, mainly in appliance manufacturing industries and in canning.

Du Pont in pact with Matsushita Electric

By Alan Friedman in New York

DU PONT, the leading US chemicals company, said yesterday it would form a joint venture with Matsushita Electric of Japan to develop specialty materials for the international electronics industry.

The accord, involving Du Pont's Tokyo-based and Geneva-based subsidiaries, calls for the companies to exchange technical information and develop materials over the next three years. Financial terms were not disclosed.

Du Pont is already one of the world's largest suppliers of electronics materials, with sales of about $2bn in 1989. Matsushita Electric is aiming to increase its overseas sales substantially and to expand its production outside Japan.

Du Pont will this morning announce plans to form a joint venture with Ciba-Geigy of Switzerland to develop and market a range of stain repellants for textiles.

Warrant bonds in disarray as Tokyo shares tumble

TURBULENCE on the Tokyo Stock Exchange caused further havoc in the equity warrant sector of the Eurobond market yesterday, sending prices of some seasoned issues down as much as 10 points before stabilising, writes Norma Cohen.

The fall came after Japanese equity prices saw their second biggest one-day fall, with the key Nikkei 225 index losing 4.5 per cent of its value. Since last Monday the index has fallen more than 11 per cent.

INTERNATIONAL BONDS

That drop and the fall in underlying equities prompted the postponement of a $1bn issue for Matsushita Electric, originally set for launch yesterday. Nomura International, lead manager of the deal, said the issue had been delayed until the underlying cash markets stabilised. A planned FFr700m equity warrant offering for Yamanouchi Pharmaceutical has also been postponed. Nomura and Crédit Lyonnais were scheduled joint leads.

On Friday, equity warrants in the secondary market fell sharply, with issues dropping two to three points in hectic trading. Sagging prices of equity warrants are particularly painful for the Eurobond markets as the launch of new issues, attached to bonds, has been the only consistently profitable sector of the market in the past year.

Secondary market traders estimate that equity warrants have lost 30 to 40 per cent of their value since the start of this year. According to Baring Securities, the average gearing ratio on warrants – roughly defined as the percentage move in the price of the warrant for every one percentage point change in the price of the underlying equity – has risen to 4.3 per cent. That is up from about 3.4 per cent last week.

However, dealers report that free-for-all selling, which has accompanied previous dislocations in stock prices, has not emerged over the past week.

Indeed, buyers have repeatedly emerged at lower levels, helping prices to stabilise, and even improve, by midday yesterday.

Meanwhile, cancellation of two other issues due out this week is also possible. Yamaichi International said it would assess market conditions today before deciding whether to proceed with its scheduled $250m equity warrant Eurobond for Mitsubishi Oil. Nikko Securities is scheduled to launch a $200m equity warrant Eurobond for Hazama-Gumi on March 1 and will make a decision about whether to proceed later this week.

In deciding, underwriters will be forced to examine the performance of two equity warrant Eurobonds launched on Friday, one for Yamanouchi Pharmaceutical and one for Today Construction. By mid-afternoon yesterday they were bid at 95¼ and 96½ respectively, well below their par issue price less 2¼ per cent fees.

Dealers suggest that coupons on the bonds may have to be raised to make the equity warrants less expensive, thus compensating for stock prices. However, borrowers typically resist such an increase, possibly preferring a delay in the launch date.

In West Germany, Japanese equity-linked issues lost up to 10 per cent of their value after a day of low turnover.

Among new issues, two yen deals emerged, the larger of which was a Y30bn three-year deal for Toyota Motor Finance BV, lead managed by Nomura International. The issue has a "keepwell agreement" from the parent company, carries a coupon of 7¼ per cent and is priced at 101.3125 per cent.

Union Bank of Finland launched a Y10bn five-year deal via Sumitomo Trust International carrying a coupon of 7¼ per cent and priced at 101.85 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Toyota Motor Finance◆	30bn	7¼	101.3125	1993	1⅜/⅞	Nomura Int.
Union Bank of Finland◆	10bn	7¼	101.85	1995	1⅞/1¼	Sumitomo Trust Int.
D-MARKS						
Kredietbank Int. Finance(a)◆	75	10⅛	101.45	1992	1¼	Bankverein Bremen
SWISS FRANCS						
Toho Chemical Industry(b)★★§	50	Zero	100	1995	1⅝	Daiwa (Switzerland)

★★Private placement. §Convertible. ◆Final terms. a) Redemption linked to BFr exchange rate. Non-callable. b) Put option 30/9/92 at 109⅝ to yield 3.711%.

Ministry to give ground over TSE equity issues

JAPANESE and international securities houses appear to have won important concessions from the Ministry of Finance in their battle for control over the secondary market in Japanese equity warrants, writes Andrew Freeman.

Although no official announcement has been made, the ministry is expected to drop its proposal for the compulsory listing of warrant deals on the Tokyo Stock Exchange.

Instead it is set to approve a six-month trial of a new inter-broker entity to facilitate trading between market-makers and improve the liquidity and transparency of the market.

The ministry is also believed to have climbed down over proposals concerning the registration required for part of an international warrant deal to be placed in Japan.

Until recently the standard Euromarket protection of the due diligence clause was not regarded as offering a strong enough guarantee, but now the ministry is thought to have accepted it in principle. An abbreviated registration would cut down on paperwork required of lead managers of warrant deals.

The only important sticking point remaining is the question of the warrant price given on registration documents. The ministry wants a single offering price, but securities houses argue that this would raise the possibility of two lead managers offering two issues of the same warrants at different prices.

NMB Postbank in Polish venture

NMB POSTBANK, the leading Dutch commercial bank, plans a joint venture with Bank Handlowy, a Polish foreign trade bank, writes Andrew Freeman.

The new company, called NMB-BH Consultants, will provide financial consultancy services to the Polish Government, agencies and Polish companies. It will also advise international companies about establishing or extending operations in Poland.

The venture will be capitalised at $100,000.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 26 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Feb 23 Index No.	Thu Feb 22 Index No.	Wed Feb 21 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	846.60	+0.7	13.37	5.05	9.11	1.80	841.00	853.10	849.14	986.71
2	Building Materials (27)	1025.43	+0.7	15.34	5.51	8.13	0.50	1018.06	1033.95	1033.97	1127.60
3	Contracting, Construction (37)	1419.47	+0.2	17.38	5.57	7.57	3.69	1416.57	1430.05	1429.08	1670.41
4	Electricals (10)	2352.47	+0.1	11.44	5.29	10.99	0.75	2350.40	2396.64	2379.85	2630.79
5	Electronics (30)	1877.87	+0.6	9.27	3.84	13.95	10.52	1866.49	1892.33	1875.54	2051.02
6	Engineering-Aerospace (8)	415.78	+1.4	14.54	5.31	8.44	0.04	410.05	417.91	414.91	0.00
7	Engineering-General (43)	455.65	+0.6	12.40	5.26	9.70	1.28	453.02	458.72	457.02	0.00
8	Metals and Metal Forming (6)	463.30	+0.6	25.45	6.49	4.43	0.00	460.50	461.64	459.47	517.59
9	Motors (16)	351.08	+0.3	15.86	6.02	7.79	0.00	349.96	354.45	356.76	385.95
10	Other Industrial Materials (25)	1532.20	+0.9	11.00	4.73	10.55	3.06	1518.60	1545.00	1532.44	1529.04
21	CONSUMER GROUP (177)	1223.70	+0.7	9.22	3.89	13.57	3.14	1215.78	1234.87	1232.26	1151.25
22	Brewers and Distillers (22)	1432.80	+1.0	9.75	3.67	12.66	6.57	1418.20	1441.82	1442.81	1297.49
25	Food Manufacturing (19)	1052.40	+0.8	10.19	4.21	12.30	1.70	1044.02	1058.34	1060.00	1017.88
26	Food Retailing (16)	2265.93	+1.5	8.96	3.35	14.49	6.99	2233.00	2263.95	2265.24	1962.77
27	Health and Household (13)	2392.80	+0.2	6.54	2.73	18.20	0.20	2388.19	2424.27	2408.21	2076.19
29	Leisure (33)	1524.94	+1.2	8.68	3.88	14.23	5.74	1506.91	1534.33	1533.76	1560.12
31	Packaging & Paper (13)	554.38	-0.6	12.67	5.59	9.97	0.90	557.85	563.89	562.23	585.20
32	Publishing & Printing (17)	3346.30	-0.1	9.67	5.26	13.20	21.20	3350.46	3397.08	3391.47	3640.11
34	Stores (31)	771.80	+0.2	11.27	4.86	11.54	1.78	770.06	780.51	778.42	752.11
35	Textiles (13)	497.86	+0.3	11.59	6.02	10.46	0.37	496.16	504.14	506.04	508.75
40	OTHER GROUPS (103)	1151.03	+0.6	11.04	4.88	10.86	1.57	1144.16	1157.21	1151.71	1021.21
41	Agencies (17)	1516.11	----	6.91	2.46	17.80	9.20	1516.21	1545.36	1539.09	1230.78
42	Chemicals (22)	1165.06	+0.9	12.38	5.66	9.50	0.57	1154.57	1165.62	1154.57	1173.33
43	Conglomerates (13)	1570.98	+0.4	11.46	6.24	10.28	5.27	1564.04	1581.17	1572.04	1425.08
44	Transport (13)	2241.35	-0.3	10.80	4.29	11.80	2.88	2247.22	2270.64	2259.96	2260.02
45	Telephone Networks (2)	1214.73	+1.1	10.45	4.22	12.44	0.00	1201.74	1210.70	1203.30	1061.52
47	Water (10)	2046.31	+0.4	17.03	6.62	6.50	0.00	2038.50	2053.31	2050.12	0.00
48	Miscellaneous (26)	1823.81	+0.7	9.85	4.51	11.45	1.11	1810.42	1843.42	1842.54	1422.03
49	INDUSTRIAL GROUP (482)	1119.75	+0.6	10.80	4.40	11.33	2.33	1112.64	1127.93	1124.23	1071.57
51	Oil & Gas (18)	2322.06	-0.8	10.39	5.17	12.73	31.87	2340.04	2382.74	2378.73	1848.21
59	500 SHARE INDEX (500)	1219.70	+0.4	10.74	4.58	11.51	4.59	1214.45	1231.93	1228.19	1138.85
61	FINANCIAL GROUP (114)	810.29	+0.2	–	5.37	–	5.62	809.04	819.77	815.69	729.17
62	Banks (9)	870.26	+0.6	17.95	6.09	7.35	13.93	864.75	871.69	865.70	714.46
65	Insurance (Life) (7)	1324.76	-0.4	–	5.01	–	0.00	1329.03	1343.18	1334.02	1022.02
66	Insurance (Composite) (7)	691.24	+1.2	–	5.47	–	0.00	682.79	694.00	689.32	582.72
67	Insurance (Brokers) (6)	1081.66	-1.0	6.82	5.83	19.52	0.73	1093.01	1109.19	1108.80	999.51
68	Merchant Banks (8)	487.80	-0.7	–	3.65	–	0.04	490.23	493.58	492.98	346.42
69	Property (49)	1106.60	-0.7	8.19	3.90	15.44	1.39	1114.16	1140.77	1139.93	1282.90
70	Other Financial (28)	315.18	-1.1	13.77	6.73	9.59	2.30	318.84	323.50	322.21	378.50
71	Investment Trusts (68)	1131.41	-0.7	–	3.28	–	4.61	1139.45	1169.55	1174.13	1056.93
91	Overseas Traders (5)	1363.38	-0.2	11.15	6.71	10.55	30.79	1365.44	1396.58	1396.25	1402.54
99	ALL-SHARE INDEX (687)	1118.85	+0.4	–	4.40	–	4.90	1114.95	1131.29	1127.78	1039.40

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Year ago
FT-SE 100 SHARE INDEX‡	2249.3	+12.6	2249.4	2208.4	2236.7	2269.2	2259.7	2277.0	2297.1	1996.7

FIXED INTEREST

	PRICE INDICES	Mon Feb 26	Day's change %	Fri Feb 23	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	114.79	+0.06	114.72	–	2.02
2	5-15 years	122.78	+0.13	122.62	–	2.34
3	Over 15 years	130.64	+0.16	130.42	–	1.46
4	Irredeemables	147.58	+0.03	147.54	–	1.16
5	All stocks	122.60	+0.11	122.47	–	2.16
	Index-Linked					
6	Up to 5 years	140.49	+0.04	140.43	–	0.94
7	Over 5 years	135.35	+0.45	134.74	–	0.81
8	All stocks	135.62	+0.42	135.06	–	0.82
9	Debentures & Loans	100.26	+0.92	100.32	0.98	2.12
10	Preference	79.52	-0.10	79.91	0.31	1.17

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 26	Fri Feb 23	Year ago (approx.)
	British Government				
1	Low	5 years	10.90	10.92	9.33
2	Coupons	15 years	10.52	10.56	9.03
3		25 years	10.41	10.45	8.91
4	Medium	5 years	12.07	12.08	10.58
5	Coupons	15 years	10.94	10.95	9.53
6		25 years	10.55	10.56	9.07
7	High	5 years	12.19	12.21	10.68
8	Coupons	15 years	11.16	11.17	9.74
9		25 years	10.71	10.72	9.26
10	Irredeemables†		10.46	10.46	8.86
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.36	4.36	3.63
12	Inflation rate 5%	Over 5 yrs.	3.94	3.97	3.57
13	Inflation rate 10%	Up to 5 yrs.	3.40	3.40	2.74
14	Inflation rate 10%	Over 5 yrs.	3.76	3.79	3.40
15	Debs &	5 years	13.43	13.52	11.93
16	Loans	15 years	12.91	12.97	11.24
17		25 years	12.91	12.97	10.66
18	Preference†		11.60	11.55	10.03

‡Opening index 2208.5; 10 am 2221.3; 11 am 2226.8; Noon 2229.5; 1 pm 2230.2; 2 pm 2230.2; 3 pm 2240.2; 3.30 pm 2239.6; 4 pm 2245.4
(a) 4.49pm (b) 9.01am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Desoutter Brothers Holdings (7) has been deleted and replaced by Richmond Oil & Gas (51).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	6	24
Corporations, Dominion and Foreign Bonds	10	0	16
Industrials	300	570	727
Financial and Properties	100	318	281
Oils	21	39	32
Plantations	1	2	7
Mines	18	87	53
Others	56	62	135
Totals	574	1,084	1,275

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible] Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 19
- Last Dealings March 2
- Last Declarations May 24
- For settlement June 4

For rate indications see end of London Share Service

Calls in Owners Abroad, Grovewood, McCarthy & Stone, Aviva Pet., Highland Dists., Bula Res., Medeva, Tuskar Res., Ferranti Intl., Oliver Res., Norex, Gaelic Res., Racal Telecom, Premier Cons. and ADT. Puts in Unigate, Avon Rubber and 600 Grp.

LONDON TRADED OPTIONS

AN IMPRESSIVE futures-led recovery by the UK equity market in the wake of the sharp fall in Tokyo boosted turnover in FT-SE 100 index options yesterday, and made up for the lack of volume in stock options.

After the 1,569 point decline in the Nikkei index there were fears of a steep fall in London. However, the futures market opened at a 10-point premium to the cash index, indicating that some dealers did not share those early pessimistic predictions. The futures index then started to rise as shorts were squeezed, pulling the cash market behind it, and prompting some aggressive buying of FT-SE calls and selling of puts.

By the time Wall Street opened, the FT-SE index had been dragged near to Friday's closing levels. The subsequent modest gains by US equities pushed the market into positive territory, spurring further profit-taking in FT-SE puts. Institutions were said to have sold puts and accounted for around 20 per cent of the FT-SE index options business, one dealer estimated. The brisk trade in the futures market also led some investors to hedge in the options market.

Trading was concentrated in February and March FT-SE options, due partly to the expiry of February FT-SE contracts on Wednesday. Dealers said this had prompted the closure of expiring positions some of which were rolled over into forward months.

The FT-SE index traded 14,525 options, compared with 17,115 on Friday, the bulk of which were puts. In the futures market, the March contract closed 19 points higher at 2,259, on a turnover of 6,312 lots, equivalent to £356m of business.

Among the stock options, Ferranti was the busiest, turning over 1,359 lots, as James Capel bought 1,250 of the March 40 calls at 3p, in a technical trade. British Gas, at 1,069 lots, was second busiest. Rolls-Royce followed, with 1,049.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allid Lyons	420	50	60	–	3½	11	–
(*459)	460	25	33	50	16	27	28
	500	8	17	32	45	52	55
ASDA	100	15	21	23	3	5	8
(*109)	110	9	15	17	8	10	12
Brit. Airways	180	22	24	30	3½	7	9
(*195)	200	10	12	19	11	16	19
	220	3	6	11	27	31	31
Brit Com	50	10	14	15	6	8	11
(*54)	60	6½	11	12	12	15	17
SmKl Beecham A	460	62	76	90	4	9	12
(*510)	500	31	48	63	14	22	25
	550	10	24	39	46	50	52
Boots	260	17	24	31	7	15	17
(*263)	280	8	14	22	19	25	28
B.P.	300	42	47	57	2	4	7
(*334)	330	18	26	36	8	14	17
	360	4½	24	21	29	30	32
Ultramar	330	33	52	63	7	10	14
(*359)	360	20	33	43	20	25	30

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit. Aero	460	47	65	75	18	22	28
(*492)	500	27	45	55	38	43	50
BAA	360	46	52	65	7	11	15
(*386)	390	26	35	47	18	23	26
BAT Inds	750	60	88	115	16	23	28
(*783)	800	33	58	82	40	45	53
BTR	390	28	44	52	13	16	21
(*404)	420	14	28	35	30	33	36
Brit. Telecom	280	30	37	44	3½	7½	9
(*298)	300	16	23	30	10½	15	16½
Cadbury Sch	300	27	39	46	10	14	17
(*316)	330	13	25	31	28	31	34
	360	5	14	21	54	55	56

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat.	180	5	11	16	10	13	15
(*180)	200	1½	4	8	29	30	31
Amstrad	50	5½	9½	13	3	5	7
(*53)	60	1½	4½	8	10	11	14
Barclays	550	20	40	50	18	25	32
(*563)	600	4	17	30	58	58	62
Blue Circle	220	11	16	25	5½	14	16
(*224)	240	–	8	15	–	26	29
British Gas	200	20	28	31	2	4	6
(*218)	220	4	16	19	7	10	13
Dixons	120	11½	17	20	1½	5	6½
(*129)	130	5	11	13	4½	8	11
Glaxo	700	22	52	77	17	33	38
(*701)	725	11	40	–	31	47	–
Hawker Sidd.	600	48	58	80	17	20	40
(*613)	650	10	30	60	48	55	70

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UK COMPANY NEWS

Joint approach to a pan-European market for financial services

Invesco and Italian group set up $3bn investment management fund

By Andrew Bolger

INVESCO MIM, the UK investment management group formerly called Britannia Arrow, is to set up a $3bn (£1.76bn) joint venture with IMI, the Italian financial services and mutual fund group.

The aim is to create a pan-European investment management group, IMI MIM International Asset Management.

The joint venture will combine marketing and investment expertise and will seek to obtain funds for investment in Europe from outside investors, particularly in the US and Japan.

IMI is a leading Italian financial services group with subsidiaries in banking insurance, investment banking and securities distribution, and an asset management division which controls $16bn.

Invesco MIM is one of the largest independent global fund management groups, with assets worth some $39bn under its management.

Lord Stevens of Ludgate, chairman of Invesco MIM, said the new fund was being created to capitalise on "the enormous opportunities for the creation of the single European market".

"However, in the investment management field the radical difference in the structure of distribution on the Continent makes it extremely difficult for a British fund management group to formulate an effective strategy for entry."

"Amalgamation of our efforts with those of IMI provides us with a partner which is a leading force in direct distribution in its home market of Italy and will permit us to create a new company which will be able to draw on the best qualities of these two very different but complementary traditions of investment and distribution. By this move we intend to play a leading role in the integration of European investment markets in the future."

Mr Ratan Engineer, finance director of Invesco MIM, said the "huge" markets of Japan and the US were very conscious of the potential for investment in Europe with the proposed deregulation of trade barriers in 1992.

"But Japan, in particular, tends to see Europe as a series of fragmented markets, and this immediately gives us expertise in Italy," he said.

Lord Stevens explained that his company's name had been changed because Britannia "had nationalistic connotations in some countries" and was considered particularly unhelpful in France and certain other European countries.

The new name is compounded from the titles of two of the group's subsidiary companies in the US and UK respectively, and the change was said to reflect the globalisation of business.

There are no plans to change the names of individual trading subsidiaries, which in Britain include MIM Britannia in unit trusts and NEL Britannia in unit-linked life assurance.

Mr Engineer said it had taken about six months of talks to get the joint project with IMI off the ground.

Mr Vittorio Serafino, deputy general manager of IMI, is to be invited to join the board of Invesco MIM.

Alan Harper

Sir David Plastow before announcing profits 20 per cent ahead at £83.6m in spite of a 10 per cent fall in turnover to £696m

First Tech worried about its Ricardo stake after SAC bid

By Nikki Tait

FIRST TECHNOLOGY, the security and safety systems company, yesterday made public its unhappiness at the proposed merger between the two engineering services groups, Ricardo and SAC International.

First Tech holds a stake of almost 15 per cent in Ricardo, the Sussex-based engines and transmissions designer – a hangover from its unsuccessful bid for the group last year.

Ironically, SAC was one of the sellers in the market raid last year, which allowed First Tech to build up its holding.

First Tech declined to specify what course of action, if any, it planned to take, but said that the situation was being reviewed. It added that it had not been in touch with any other of Ricardo's institutional shareholders, to sound out their views.

Its disquiet is not surprising, given that the all-paper bid by Ricardo for SAC would result in a reduced stake of only 7 per cent in the merged businesses.

Before the merger news, First Tech had been coy about saying what its future intentions were with regard to the Ricardo stake, but had suggested that if it contemplated a new bid for Ricardo, it would be unlikely to be before the autumn.

The former bidder claimed yesterday that the current deal "looks better for SAC than for Ricardo" and would give the former greater boardroom weight.

Although First Tech is probably free to rebid for Ricardo immediately if it wished – instead of having to wait until April – it indicated that, if any further action was taken, it would be likely to concentrate on the impending extraordinary meeting of Ricardo shareholders.

The meeting, at which shareholders will be asked to give their backing to the bid for SAC, is due to be held on March 12.

Ricardo posted its formal offer document yesterday, claiming that the link-up would give the enlarged group a broader business base, wider geographic coverage and marketing opportunities and would boost financial strength.

It said that major shareholders had been consulted about the proposed merger and that no objections had been registered to date.

Shareholders speaking for almost 46 per cent of SAC have given irrevocable undertakings to accept the offer, and a further shareholder with 10.7 per cent has indicated its intention to accept.

Runciman dismisses £47.8m Swedish bid

By Clare Pearson

WALTER RUNCIMAN, the shipping, security and insurance group, yesterday dismissed as "wholly inadequate" a £47.8m hostile takeover bid launched last Friday by Forvaltnings AB Avena, the diversified Swedish group which holds 28.5 per cent of its shares.

Referring to an earlier £31m bid from Telfos, the UK engineering group, that the company fought off in 1988, Viscount Runciman, chairman, said: "I have no doubt that Avena will have no more success in trying to buy the company on the cheap than did Telfos."

In its statement, the board recommended shareholders to reject "this unwelcome and unacceptable offer" for the company. The shares closed up 2p at 520p, exactly the level of Avena's cash offer.

Viscount Runciman said he looked forward shortly to presenting the company's figures for the year to end-December, which prior to the appearance of the takeover bid had been scheduled for release in May.

Avena, which has interests in property, construction and security equipment, acquired its stake from Telfos last December.

Runciman's interests in heavy security equipment, which could be complementary to its own, first attracted Avena's attention. However, Mr Hans Eliasson, chairman, has said he would also wish to retain the shipping interests if Avena's bid were successful.

Sema buys 49% of French software house

By Alan Cane

SEMA GROUP, the Anglo-French computing services company quoted in London, has acquired a 49 per cent stake in a French software house developing a computer system for the French securities market.

Sema announced yesterday that it had signed an agreement with Societe des Bourses Francais (SBF) to acquire 29,400 shares in Tibet for £5.1m cash. Tibet has for the past three years been developing and marketing a front and back office system which is due for delivery in September.

Tibet was established by SBF to build the new system and some 25 brokers have already signed up for the product. Sema is now the company's single largest shareholder and will appoint the managing director; each broker has a small equity stake in Tibet with SBF holding the balance.

Tibet had net tangible assets of £4m, a turnover of £16m and made profits after tax of £440,000 in 1988.

Mr Jerry Jerram, Sema finance director, said Tibet would benefit from exposure to the management of a broadly based computing services group. Sema would benefit from a strengthening of its position in the specialist financial services market.

● Mr Alan Benjamin, Sema Group communications director, has decided to leave the company. A computer professional since 1963, Mr Benjamin was director general of the Computing Services Association and director of communication for International Computers (ICL) before Sema.

He remains a non-executive director of Sema and intends to pursue other interests in the computer industry.

Hatfield shares jump 40p on bid talks

By Clare Pearson

Shares in Hatfield Estates yesterday jumped 40p to 225p after the Hertfordshire-based property developer and building contractor said it was in discussions which might lead to an offer being made for the group.

The company to which USM-quoted Hatfield is talking is a much bigger listed company in the same business.

Mr Ken Wilkins, managing director, stressed that the talks were not spurred by any adverse effects Hatfield was suffering from the downturn in building and property.

"We have a healthy workload and virtually nil borrowings. We have simply received an approach which we are taking seriously."

Hatfield, which operates in north east, north west and south west London, has no exposure to the private sector housing market.

The bulk of its business is concentrated on commercial and industrial buildings.

Directors of Hatfield control all but about 12.5 per cent of the issued share capital.

In the year to end-August, the company reported pre-tax profits up from £2.2m to £2.64m.

Shell demands increase in tanker insurance cover

By David Thomas, Resources Editor

SHELL, the Anglo-Dutch oil company, is to require all oil tankers it charters to increase their insurance cover to $700m (£412m) because of the escalating costs of oil pollution clear-up.

The move is part of a general increase in insurance cover following recent well-publicised oil spills, notably the Exxon Valdez spillage in Alaska last year.

The Protection and Indemnity Clubs, which provide liability insurance for oil tankers, increased their standard oil pollution cover from $400m to $500m last week.

The clubs are also offering an extra $200m voluntary tranche of cover arranged through the International Group, which places the P&I Clubs' reinsurance.

Shell International Marine has now decided to require all tankers transporting Shell oil to state that they have the maximum $700m cover.

"Recent events have shown that costs of pollution prevention and cleaning can on occasions substantially exceed the cover presently available, and it is our view that responsible tanker owners would wish to avail themselves of this additional cover," Shell International Marine said.

Shell was last week fined £1m for an oil spill from a pipeline on the Mersey.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleyard Group ....fin	5.2	Apr 18	4.4	7.8	6.6
Cooper (Alan) ....fin	4.9	Apr 30	4.7	7.7	6.8
Int Colour Mangt......int	0.5	Apr 12	0.5	-	1.45
Printech Intl § ....fin	nil	-	1.5014♣	1.1	2.5014
Williams Hldgs ....fin	7	May 23	6	11.5	10
Vickers ....fin	5.6	May 11	4.6	8.9	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency throughout.

Shell delays re-opening of Brent platform

Shell has further delayed the resumption of production at Brent Charlie, one of four platforms in the Brent oilfield, writes David Thomas.

Brent Charlie, which was producing 100,000 barrels per day, was closed last May for one month of maintenance.

The repeatedly delayed restart of production is now planned to take place in the first half of April.

However, Shell said that Cormorant Alpha, which produced about 40,000 b/d before it was closed following an explosion last April, would resume pumping oil ashore in about a fortnight's time.

● British Petroleum has been granted permission by the Department of Energy to build a £162m pipeline to bring oil ashore from the company's Forties field. The pipeline, announced by BP last year, will be laid this summer.

MIM postpones launch of new Europe oriented investment trust

By Clare Pearson

TODAY'S LAUNCH of a new investment trust concentrating on European markets has been postponed at the last minute by MIM, the UK fund management group.

MIM said that the start of new fund, Drayton Europe, was being put off in the light of the current volatility and uncertainty across world stockmarkets.

The decision was taken last Friday amid sharp falls in the Tokyo market.

Earlier this month Mercury Asset Management also put on ice plans to launch a new European trust, in this case focusing on smaller companies.

Last week Mercury said the decision to postpone was chiefly based on concerns about confusion and competition created by the large numbers of similar trusts that emerged as some European markets neared their peaks earlier this year.

If it had been launched today, Drayton Europe would have been the eighth share issue by a new or existing European fund to emerge in London so far in 1990.

Quantities of similar vehicles were also launched in New York and elsewhere.

MIM plans to launch Drayton Europe, a broadly-based European fund, at a later date.

The aim had been to raise about £50m via an offer for subscription in London.

Profit warning from Parkway

Mr Moger Woolley, the newly-installed chairman of Parkway Group, told shareholders yesterday that the pre-press production company was unlikely to show significant profits in the eight months to May 31 and did not expect to achieve the level of profit made in the last financial year, writes John Thornhill.

The USM-quoted company's shares closed 18p down at 60p. Last August Parkway's shares stood at over 220p but they fell heavily after the company issued a profits warning and subsequently reported annual pre-tax profits of £8.12m, well below market expectations.

Mr Woolley, formerly chief executive of the DRG packaging group, said the period from October to December 1989 had been among the quietest the advertising market had ever encountered.

Poor weather contributes to Caldwell's fall into loss

By David Owen

CALDWELL Investments, the Third Market-quoted holding company with interests in the import and distribution of clothing, yesterday reported hefty losses for the 16 months ended October 31.

At the taxable level the company suffered losses of £166,000 on turnover of £5.32m. This compared with profits of £163,000 on turnover of £5.37m in the year to June 30 1988.

No dividend is proposed for the 16-month period.

The group blamed poor weather and exceptionally difficult trading conditions for its weak performance. This has already resulted in the closure and subsequent creditors' voluntary liquidation of two subsidiaries – GR Frankel (Overseas) and Priorsource.

A £23,000 tax credit and a £383,000 below-the-line charge, relating to Caldwell's share of the losses of subsidiaries that are no longer consolidated, brought after-tax losses to £526,000.

Taking into account an unexplained £34,000 extraordinary item, the loss for the period was £492,000.

According to the liquidators, Caldwell is owed £280,000 by Priorsource, which is estimated to have a net deficit overall of £398,000. The unit was incorporated in April 1988, acquiring the woollens and casual wear division of M Edelson, a furs company, one month later.

GR Frankel is estimated by liquidators to have disposable assets of £131,434 and unsecured credit of £275,507. Among its creditors is West German Nissel Textilien, a third Caldwell subsidiary.

According to the liquidators' report filed following the Frankel creditors' meeting, an internal investigation has revealed an apparent "series of accountancy errors amounting to some £100,000".

The report said that both Frankel's bankers, Banque Indosuez and National Westminster Bank, froze the company's facilities after the granting of a Mareva injunction alleging that its assets were being dissipated.

Caldwell is the latest vehicle in the somewhat turbulent career of Mr Stanley Wootliff, its chairman. Mr Wootliff previously occupied a similar position at WL Pawson, a Leeds-based clothing manufacturer which went into receivership in 1982.

His curriculum vitae also includes spells with William Reed & Sons, a textiles group, and Unigroup.

Caldwell said yesterday that it intended to issue 1.56m new ordinary shares at par to raise working capital. The issue will be by way of a placing and open offer to shareholders on the register on March 2.

Losses per share were 10.11p, versus a profit of 2.27p. The shares fell 2p to 20p.

UK COMPANY NEWS

Queens Moat wins control of Norfolk Capital

By John Thornhill

Alan Harper

John Bairstow: the company would benefit greatly from the addition of Norfolk's hotels

QUEENS MOAT Houses has won control of rival hotel group Norfolk Capital after a contentious and bitterly-fought £157m takeover struggle.

Queens Moat announced yesterday that it controlled 52.94 per cent of Norfolk Capital's shares and had declared its 2-for-5 all-share bid unconditional.

Mr John Bairstow, Queens Moat's chairman, said the company would benefit greatly from the addition of Norfolk's hotels and would review its position with regard to its clubs. "We do not understand the clubs business and will have to get to know them very quickly," he said.

In launching its bid in January, Queens Moat unashamedly took advantage of board divisions at Norfolk Capital and a dispute with Balmoral International, a private Edinburgh company which owned 13 per cent of Norfolk's equity.

At a Norfolk Capital shareholders' meeting, Balmoral International tried, unsuccessfully, to force changes in the company's management and have Mr Peter Tyrie, Balmoral's managing director, appointed to the board.

Earlier this month, two Norfolk directors, Lady Joseph and Mr Tony Good, resigned from the company after prolonged disagreements with the rest of the board and voted their 8 per cent shareholding in favour of Queens Moat's offer.

They accepted that Queens Moat's share offer undervalued the company's assets but cast doubt on the Norfolk Capital's defence proposals which involved the sale of £75m of assets.

Queens Moat's victory was virtually assured a week later when Balmoral International also voted its stake in favour of the offer adding to Queens Moat's own holding of just under 10 per cent.

Mr Bairstow admitted yesterday that Queens Moat's bid was opportunistic but said he was not embarrassed by this. "I just take the opportunities whenever they come up," he said.

Queens Moat shares firmed 2p to close at 97p ahead of the announcement.

Laing Properties calls predators opportunistic market operators

By Nikki Tait

LAING PROPERTIES which is facing a hostile £441m bid, yesterday hit out at the record of its predators, Peninsular and Oriental Steam Navigation and the privately-owned Chelsfield group, claiming that they were "opportunistic property market operators."

In its first defence document, Laing maintains that both bidding companies have "reputations for buying cheap and selling out a profit".

It pointed to P&O's acquisition of Stock Conversion, another property group, in 1986 "with the assistance of a 26 per cent stake acquired from Stockley, where Elliott Bernerd was a major shareholder."

In the current bid, Chelsfield represents Mr Bernerd's private vehicle.

"This was followed by the break-up of Stock Conversion's management team and substantial disposals from its property portfolio.

"The Stock Conversion shareholders gave up the opportunity to participate in subsequent growth – do not let the same happen to you," the Laing document urges.

In the document, Laing makes a great deal of the diversification within its portfolio, half of which is overseas.

A key factor in the bid's outcome will be the decision of various family and charitable trusts which control about 40 per cent of the equity.

Pall Mall Properties, the vehicle through which the predators are making their takeover offer, has already suggested that its offer presents an opportunity to "re-align investment portfolios on a more broadly spread basis."

Laing countered yesterday by telling shareholders: "You will not easily be able to reinvest into a comparable portfolio if you accept Pall Mall's offers."

As expected, the initial defence contains no new financial information. Laing promises that 1989 results, together with a full current valuation of the property portfolio, will be released next month – at which point the shadow-boxing is likely to develop into a fully-fledged battle.

Laing shares closed unchanged at 664p, compared with the offer price of 650p.

Appleyard rises to over £11m in spite of tougher conditions

By John Thornhill

APPLEYARD GROUP lifted pre-tax profits by 23 per cent to £11.11m in 1989, but the Harrogate-based motor distributor warned that it saw no respite from the tough trading conditions in the first half of the current year.

Vehicle sales were affected by high interest rates, which hit used car volumes particularly hard. They were estimated to be about 35 per cent down in the fourth quarter.

Sales of Peugeot cars were also lower, as a result of supply difficulties following a prolonged strike. But the group's Scania commercial vehicle operations reported excellent results, although they have since encountered harder trading in 1990.

In September, Appleyard paid £18.3m for Skelly Holdings, the largest retailer of Audi and Volkswagen cars in the UK. It also bought three Volvo dealerships earlier in the year. These acquisitions made little contribution to 1989's results, although Skelly is said to be performing above expectations in the current year.

Appleyard's contract hire fleet expanded to over 12,500 vehicles and operated "very profitably" during the year. Residual values, however, were estimated to be 10 per cent lower.

The group's property interests have also been expanded. Five greenfield sites have been completed and several other dealership sites have been developed.

Turnover was 27 per cent higher at £414.07m (£327.13m) and at the operating level profits increased 42 per cent to £13.91m (£9.77m).

The net interest charge more than doubled to £4.3m (£1.86m) and after tax of £2.71m (£2.19m) earnings per share were unchanged at 22.4p.

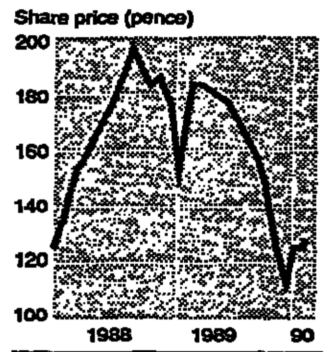
A recommended final dividend of 5.2p increases the yearly pay-out by 18 per cent to 7.8p (6.6p).

Mr Mike Williamson, the chairman and chief executive, said: "The strategy and policies which we have followed consistently for the last three years are even more appropriate than ever in this difficult trading climate.

● COMMENT

Appleyard showed strong growth in operating profits during the year, registering a 42 per cent advance to £13.91m, but higher interest charges dragged the result down at the pre-tax level. This story is likely to be a familiar one in the current year. A sound operating performance – albeit within market constraints – will be hampered by Appleyard's ungainly financial position as its gearing stands at over 70 per cent. Earnings per share are consequently unlikely to advance much, if at all, and the prospective p/e is only 6.5, assuming pre-tax profits of £13m. The prospects in the longer term are rosier, however, as Skelly will chip in and the group can expect to benefit from its property development programme. But it may be a long wait before those expectations are translated into earnings and in the meantime its share price is likely to look decidedly unspectacular.

Appleyard



Laura Ashley finally fills finance director vacancy

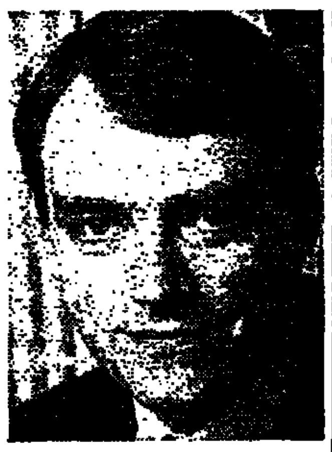
By Maggie Urry

LAURA ASHLEY, the loss-making international clothing and home furnishings group, will today announce that it has found a new finance director, Mr Andrew Higginson, who will join the group at the end of May.

Laura Ashley has been without a finance director since Mr Peter Phillips left to join Hepworth Ceramic, the building materials company, at the end of 1988. The lack of a full-time finance director has added, analysts believe, to Laura Ashley's current problems.

Last month the group revealed that it would break even in the year to the end of February, before exceptional costs of £2.5m, after making pre-tax profits of £6.5m in the first half. As well as the difficult trading conditions for retailers, the group blamed poor production planning at its factories.

Mr Higginson, 32, comes from Guinness, the international drinks company, where he is finance director of Guinness Brewing International, which runs the brewing operations outside the UK and North America. Previously he worked at Unilever, spending two years in Hong Kong as commercial director of Lever Brothers China.



Andrew Higginson: first full-timer for more than a year

Laura Ashley has been seeking a new finance director for more than a year and has been close to making an appointment before but without success.

Mr Higginson was headhunted last December, and was apparently attracted by the chance to join the board of a quoted company with a strong brand name.

UK COMPANY NEWS

Ferranti gets go-ahead to sell defence arm to GEC

By Michael Skapinker

SHAREHOLDERS OF Ferranti International yesterday approved the sale of its defence systems group to the General Electric Company of the UK for £370m. Ferranti said it expected to receive payment from GEC by March 2.

Provided the money is received by this date, Ferranti will abandon its planned £187.1m rights issue.

Mr Eugene Anderson, appointed last Friday as Ferranti's new chairman, said the company was still negotiating the sale of a 50 per cent interest in Ferranti Italia to GEC for about £40m.

Although negotiations were not complete, he said he did not envisage any difficulties with the sale. Ferranti has agreed to sell the remaining 50 per cent of Ferranti Italia to Finmeccanica, the Italian state-owned defence and industrial group.

There were no questions from the sparsely attended meeting about the £490,000 severance payment which is being made to Sir Derek Alun-Jones, who resigned as Ferranti's chairman last week.

Sir John Hoskyns, a member of the Ferranti board, said after the meeting that the payment was being made on the basis of legal advice. Sir Derek still had two-and-a-half years of his contract to run.

Sir John said that Sir Derek's share options would now lapse. Ferranti's accounts show that Sir Derek held options on over 736,900 shares.

The only discordant note at the meeting was struck by Mr Ian Mackeson-Sandbach, trustee and executor of the major trust of the Ferranti family.

He said that while he believed that the sale of the defence systems group was in the interests of employees and shareholders, the entire profit of this unit since its inception had been "frittered away" by the purchase of International Signal and Control, the US subsidiary at the centre of a £215m alleged fraud against Ferranti.

ICM in takeover talks as losses mount to £1.71m

By David Owen

INTERNATIONAL Colour Management, the manufacturer of computerised colour control systems which yesterday reported increased half-yearly losses, is in "serious" discussions with a "significantly bigger" third party regarding a possible offer for the company.

The group has found its growth constrained by inadequate access to capital in recent months. "We probably could grow an awful lot faster with access to more capital. If we found the right parent company, we would view that quite favourably", said Mr Ian Williams, managing director, yesterday.

For the six months to December 31, Newbury-based ICM reported a pre-tax loss of £1.71m, against a loss of £666,000 in the corresponding half of 1988.

Results were affected by a sharp increase in net interest payable to £483,000. ICM attributed the steepness of the increment to higher debt levels arising from last year's acquisition of Beacon Controls and high stocks associated with the introduction of a new spectrophotometer.

Turnover climbed from £6.15m to £7.74m, a hike that was again principally accounted for by the Beacon acquisition. The loss per share was 10p (3.8p) and the interim dividend is maintained at 0.5p.

The company said it anticipated its customary stronger second half to the year.

Printech hit by fall in demand

PRINTECH International, the USM-quoted Dublin-based computer manual printer, reported a slight setback in profits for the year to December 31 1989 in spite of a 26 per cent improvement in sales.

At the pre-tax level, profits declined from I£2.01m to I£1.85m (£1.72m). Sales were I£15.82m, against I£12.54m.

Mr James Flavin, chairman, said profits were adversley affected by a significant short-term reduction in the demand for computer hardware and software.

The results included an I£5m write-off for losses and closure costs on a failed expansion into the US market.

In November last year Printech announced it was discontinuing operations at the Kenmore Press in Boston.

Earnings per ordinary share slipped to 6.4p (8.3p).

The directors said they were not recommending payment of a final dividend because of the extraordinary I£5m provision.

An interim dividend of 1.1p was paid last September; the total paid for 1988 was 2.5014p.

Putting steel in management's backbone

Andrew Bolger examines the seemingly inexorable rise of Henry Barrett

THE PHRASE "Clogs to clogs in three generations" is still quoted in the north of England when discussing the fickleness of family fortunes.

In the case of the Barrett family of Bradford, who run Henry Barrett, the steel and industrial products group, they have taken five generations to transform their footwear – and seem to have opted for running spikes.

Since coming to the market in May 1987, Henry Barrett has seen its market capitalisation grow from £14m to more than £100m and its pre-tax profits are forecast to grow almost tenfold to £17m for 1990.

Just before Christmas, Barrett made its biggest acquisition so far when it paid £10.8m for another Bradford company, Don Reynolds Holdings (DRL), which makes flat panel cladding for use in steel-framed buildings. It was the Barrett's 13th acquisition since flotation.

So what has come over this once pedestrian business, whose chairman, Mr Guy Barrett, 64, is a great-grandson of the founder?

Henry Barrett started in 1866 as an iron merchant, and with the greater availability of steel at the turn of the century his company expanded into steel merchanting and structural engineering.

Mr Stuart Greenwood, Barrett's finance director, says of the pre-flotation company: "It was never run as a milch cow for the family, as so many private companies are. The management was very cautious and conservative and saw its role in terms of stewardship for the family shareholders and the employees."

It was into this placid, if rather boring, environment that there entered two young Turks in the shape of Mr Guy Barrett's sons, James, who is now 35, and Richard, 33. James went off to university, but quickly decided he would prefer to work in the family business and started as a management trainee in 1973. Richard persisted with his studies and gained a double first in engineering at Cambridge before joining Barrett in 1978.

The brothers were united in seeing great opportunities for the company to expand – and both were frustrated by the family's lack of enthusiasm for their big ideas. Richard says: "There was a family rule that you could not be a director before you were 32: we never did find out what was so special about 32."

James Barrett (left), Stuart Greenwood, Richard Barrett, James Anderson and Rob Hassell: the five driving forces behind the newly dynamic Henry Barrett.

An ally for the brothers came in the shape of Greenwood, who joined the board in 1984. He struck up an immediate rapport with James and Richard and agreed that Barrett had great potential. Greenwood says: "I saw it as an opportunity to not just earn a good salary, but to have an equity stake in a company which I really believed in."

The trio began to push forward schemes for expansion. Greenwood and the brothers would meet to hammer out their plans before board meetings, from which James and Richard were excluded. Greenwood says: "If things were not going well, I would excuse myself to go to the toilet and we would get into a huddle in the corridor and change our tactics."

The breakthrough came in 1986 when James and Richard joined the board. Together with Greenwood, they borrowed heavily to help buy out the 48 per cent of the company's shares held by family members who were not involved in the business. Henry Barrett came to market the following year.

Immediately after the placing, directors held 30 per cent of the new company, but that stake has since been diluted to 14 per cent by the issuing of new shares.

Today, Barrett comprises four divisions. Richard is managing director of steel buildings, and steel services is run by James, who also became chief executive on January 1. His father, Guy, will retire as chairman on March 16 and become non-executive chairman. Of the two newest divisions, special products is run Mr Rob Hassell and Mr James Anderson is managing director of materials handling.

Barrett's early rapid growth was based on its steel buildings. It benefited from the boom in steel-framed warehouses and built out-of-town stores for retailers such as B&Q, MFI and Texas Homecare.

The steel services division is one of British Steel's biggest customers and still accounts for more than 30 per cent of group turnover. Although a low-margin business, steel stockholding generates cash and allows Barrett to supply all of its steel internally.

Barrett's stockmarket image has at times suffered from its association with the now-troubled DIY sector and a business as cyclical as steel stockholding. The company argues that by moving towards tubular structures, business parks and distribution warehouses, it has reduced its exposure to the purely retail side. In steel services, it has concentrated on value-added services such as shot-blasting, priming and cutting steel to customers' exact specifications.

Nevertheless the new management team has never been in any doubt about the need for Barrett to diversify. Greenwood says: "It was always part of our strategy to fish in different parts of the economic cycle and in different countries."

The success of this effort is illustrated by the special products division which, although accounting for only about 13 per cent of turnover, is likely to produce more than 20 per cent of group profits.

This division makes Lindapter, a system for bolting steel to steel which Barrett bought in 1974. But as Richard says: "As long as it made £200,000 a year, the family was happy to leave it well alone." The appointment of Mr Hassell, a marketing man, and the acquisition of its French distributor has helped to double sales since 1984.

Two of the division's three high-margin companies have been acquired since Barrett's flotation – BNL, which makes thermoplastic bearings, and Lurmark, which manufactures spray nozzle tips, mainly for use in agriculture.

Barrett's most recent division, materials handling, was created in 1988 with the acquisition of Park Pallett, which makes specialised carrying systems for automated factories and warehouses. Two companies bought last May, OSS and ASS, make shelving, storage and handling systems for big retailers.

Greenwood says all prospective acquisitions are tested against three "comfort criteria":

● Geographic positioning – is the business in the right place?
● Skills – can we run it?
● Product – is it something Barrett is familiar with?

Ideally, an acquisition should pass on all counts, although two are enough in certain cases.

In spite of Barrett's appetite for acquisitions, Greenwood insists: "We are not a deal-driven group. Our strength is that we can run businesses well. Primarily our growth has been organic."

Richard Barrett agrees: "The bulk of management time is spent on the nitty-gritty running of the business." He has recently launched a housekeeping and waste management campaign in his steel buildings division, complete with videos for the workforce and weekly meetings of managers. It will last for five years.

Greenwood examines every potential target with the relevant divisional managing director and takes charge of the acquisition strategy. The classic situation is that of a private business which has grown to a size bigger than the founders can handle and yet which has lots of growth potential.

All Barrett employees participate in the group's bonus scheme. The managers of each subsidiary agree a budget with Barrett, and the bonus only starts being paid when the business achieves 90 per cent of its target. Once that threshold is crossed, however, there is no ceiling on the amount that can be earned. Last year all the directors of the steel buildings division doubled their salaries with bonus payments.

Management co-ordination is obviously not easy in a group where each of the four divisions is now bigger than the original parent company was when launched in 1987. Every divisional managing director has a managing director from another division on his board to give another point of view and improve group cohesion.

Greenwood sits on the boards of all subsidiaries and is in overall charge of financial strategy. However, he is aware that the group would probably have to strengthen its management structure before being able to expand internationally.

Having been launched at 70p, Barrett's shares now trade at 245p. They increased in value by more than 50 per cent last year, making Barrett one of the best performing small companies in 1989.

Barrett clearly has got off to a flying start with its policies of diversification and shrewd acquisition, followed by improved marketing and financial controls.

How it weathers the looming domestic downturn and the management problems posed by further international expansion will determine whether this impressive sprint performance can be maintained over a longer haul.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ewart, McAlpine (Alfred), Murray Income Trust, SEET.

Finals- Abbey National, Baltic, Capital & Counties, Continental & Industrial Trust, Grahams Rintoul Investment Trust, SKF, STC, Sedgwick, Unilever, Updown Investment.

FUTURE DATES

Interims-	
Barratt Developments	Mar. 28
Coronation Syndicate	Mar. 15
Davies & Metcalfe	Mar. 15
Domestic & General	Mar. 7
Galliford	Mar. 7
Intereurope Technology	Mar. 6
Microfilm Reprographics	Feb. 28
Norex	Feb. 28
Tweefontein United	Mar. 15
Finals-	
Bank of Scotland	Apr. 25
CRH	Mar. 7
INOCO	Mar. 2
Kwik-Fit	Apr. 11
Laing (John)	Mar. 22
Legal & General	Mar. 15
Memec	Mar. 21
Sumit	Mar. 5
USDC Inv Trust	Mar. 12
Usborne	Mar. 26
Woodchester Invs	Mar. 8

LEGAL NOTICES

IN THE MATTER OF
DREXEL BURNHAM LAMBERT
SECURITIES LIMITED
and
IN THE MATTER OF
THE INSOLVENCY ACT 1986

Registered number: 1351594
Nature of business: Brokers and dealers in commodities, securities and foreign exchange.
Trade classification: 38
Administration order made: 16th February 1990
C.T.E. Hayward and P.W. Wallace
Joint administrators (office holder no(s) 6096 & 6281.

IN THE MATTER OF
DREXEL BURNHAM LAMBERT
HOLDINGS LIMITED
and
IN THE MATTER OF
THE INSOLVENCY ACT 1986

Registered number: 1149140
Nature of business: Brokers and dealers in commodities, securities and foreign exchange.
Trade classification: 38
Administration order made: 16th February 1990
C.T.E. Hayward and P.W. Wallace
Joint administrators (office holder no(s) 6096 & 6281.

IN THE MATTER OF
DREXEL BURNHAM LAMBERT
LIMITED
and
IN THE MATTER OF
THE INSOLVENCY ACT 1986

Registered number: 1138924
Nature of business: Brokers and dealers in commodities, securities and foreign exchange.
Trade classification: 38
Administration order made: 16th February 1990
C.T.E. Hayward and P.W. Wallace
Joint administrators (office holder no(s) 6096 & 6281.

CCA MICRORENTALS LIMITED

Registered Number: 1649792

Trading names(s):- Apple Business Centre, Chelsea PC Business Centre
Description of any assets not covered by the debenture:- None
Nature of Business: CCA MICORENTALS LIMITED
Trade classification: 36
Date of appointment of joint administrative receivers: 13 February 1990
Name of person appointing the joint administrative receivers: 3i Plc
R W Cork J M Iredale
Joint Administrative Receivers
(Office holder nos. 1853 and 2104) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Registered No: 1321834
CAMBRIDGE COMPUTER STORE LIMITED

Trading name(s):- Home Entertainment Centre
PC Business Centre
Apple Centre, Cambridge
Description of any assets not covered by the debenture:- None.
Nature of business:- Dealers in computer equipment.
Trade classification: 36
Date of appointment of joint administrative receivers:- 9 February 1990
Name of person appointing the joint administrative receivers:- Standard Chartered Bank
R W Cork J M Iredale
Joint Administrative Receivers
(Office holder nos 1853 and 2104) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Registered No: 2098124

CCA COMPUTER GROUP PLC

Description of any assets not covered by the debenture:- None.
Nature of business:- Holding company.
Trade classification: 36
Date of appointment of joint administrative receivers:- 9 February 1990
Name of person appointing the joint administrative receivers:- Standard Chartered Bank
R W Cork J M Iredale
Joint Administrative Receivers
(Office holder nos 1853 and 2104) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

Registered No: 2028593
CCA BUSINESS CENTRE LIMITED

Former company names(s):- Apple Centre Chelsea Limited
Trading names(s):- Apple Centre, Chelsea, Apple Centre, Cambridge
Description of any assets not covered by the debenture:- None.
Nature of business:- Dealers in computer equipment.
Trade classification: 36
Date of appointment of joint administrative receivers:- 9 February 1990
Name of person appointing the joint administrative receivers:- Standard Chartered Bank
R W Cork J M Iredale
Joint Administrative Receivers
(Office holder nos 1853 and 2104) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

NEWS DIGEST

Canadian buy for Simon Eng

SIMON ENGINEERING, the engineering, contracting, equipment and industrial services group, is buying Hipp Engineering, a privately-owned Canadian pulp and paper engineering design consultancy, for a maximum C$16.5m (£8.25m), writes Clare Pearson.

The purchase marks a further build-up of paper engineering interests in Canada and follows the acquisition, for an initial C$1.2m, of Toronto-based Dick Engineering last December.

Hipp's unaudited pre-tax profit for the year to end-January was C$2.4m, after a management fee of C$1.6m, on sales of C$21.2m. Payment of these fees will cease on acquisition by Simon.

The initial cash consideration is C$13m. There is a deferred payment of up to C$3.5m depending on profits for the year to end-January 1991.

Southwest Resources aborts oil disposal

Southwest Resources has been forced to delay its exit from oil and gas. It said that the planned disposal of States Petroleum, an operator of fields in Texas, Louisiana and Mississippi, had been dropped after talks with Sunlite, a US energy and property development company, were terminated, writes Clay Harris.

The aborted sale means that Southwest, a former subsidiary of the failed Dominion International Group, will not be able to eliminate its final $7m (£4.1m) in borrowings.

Sunlite was to have paid $250,000 and assumed States' debt, Mr Kenneth Keep, managing director, said cash flow from States would be sufficient to pay off the $7m within four years.

Southwest also said the disposal of the Aspermont Lake field in Texas to Merit Energy for $3.4m had been completed. Southwest's decision to write down the value of its oil and gas interests by £11m will proceed as planned.

Alan Cooper rises 13% to £3.08m

Alan Cooper Holdings increased pre-tax profits from £2.73m to £3.08m in 1989, which, in the words of Mr James Blyth Currie, chairman, "proved to be another year of significant progress for the company."

This 13 per cent advance at the designer and manufacturer of office furniture was achieved on turnover ahead 26 per cent to £13.11m (£10.41m). During the year a new range of colour laminate systems furniture was launched, the Altham factory was completed, and the company achieved registration of the UK's quality standard BS 5750 Part 2 on first application.

The company said that softer market conditions in the second half, due to high interest rates, were addressed with a strengthened sales and marketing effort. Although net margins had been affected, the company's remained among the highest in the industry.

Earnings rose to 19.09p (16.97p) per share and a final dividend of 4.9p (4.7p) is recommended, for a total of 7.7p (6.8p) for the year.

SWP bucks trend with 5% increase

In spite of the difficulties experienced by private house builders, SWP Group lifted pre-tax profits by 5 per cent for the six months to December 31 1989.

This USM-quoted group makes timber, metal and glass components for the construction industry, and supplies selected building products. Profit for the period came to £561,000 (£534,000) although turnover fell to £4.93m (£5.21m). Earnings were 1.58p (1.35p).

Mr Robert Stickings, chairman, explained that the downturn in demand from the private sector was more than matched by increases from the industrial and commercial sides.

Looking at the rest of the year, he said on the assumption that the existing substantial order books were called forward to production in accordance with historical patterns, the full year results should better last year's £1.19m.

Courtney Pope held to £1.87m midway

Higher interest and harsher trading conditions held back Courtney Pope (Holdings) after turnover rose 28 per cent in the half year to November 30 1989.

Pre-tax profit increased only marginally from £1.84m to £1.87m. Apart from interest charges, the major influences on the result were the need for greater provision against bad debts and a lack of profit in the specialised signs business; that suffered particularly from cut-backs in spending by fashion retailers, explained Mr David Peacock, chairman.

Turnover came to £34.54m (£26.85m), reflecting the expansion of interests in high quality shopfitting, and generally satisfactory activity in engineering and specialist contracting, and most of lighting.

Earnings slipped to 9p (9.1p) but the interim dividend is raised to 3.75p (3.5p).

Mr Peacock said as for prospects for the full year, order books in most areas were holding up well, and he remained hopeful that trading would show a satisfactory advance.

Greenwich Comms cuts loss to £636,500

Greenwich Communications, the USM-quoted cable television supplier, reduced losses from £663,500 to £636,500 for the year to August 31 1989.

At the operating level, the deficit was cut from £458,300 to £358,000. There was, however, an exceptional charge of £76,600 this time, while interest payments took an increased £214,100 (£179,400). Share of related companies profits added £12,200 (debit of £25,800).

There was again no tax. Minorities accounted for £37,900 (£89,300) and losses per share came to 8.5p (8.3p). An extraordinary credit of £325,800 (£30,000) represented the net proceeds on the sale of Greenwich Cablescene.

FT LAW REPORTS

Council has no power to trade in interest rates

HAZELL v HAMMERSMITH BOROUGH COUNCIL AND OTHERS
Court of Appeal (The President, Lord Justice Nicholls and Lord Justice Bingham): February 23 1990

INTEREST RATE swap transactions by a local authority are unlawful if purely speculative; but they are legitimate if their purpose is to regulate to best advantage interest payable or due on specific debts or investments, or to rectify a situation caused by the authority's unwittingly unlawful interest swap trading.

The Court of Appeal so held when dismissing an appeal by Midland Bank plc and others from a declaration made by the Divisional Court on the application of Mr Anthony John Hazell, auditor of the Hammersmith Borough Council, that interest rate swap transactions entered into by the council in 1987 and 1988 were unlawful.

THE PRESIDENT, giving the judgment of the court, said that a new market had grown up over the last decade, in interest swaps and other related transactions for lessening the risk caused by fluctuating interest rates.

If such transactions were not to be regarded as speculative trading they must be made, by one party at least, with clear reference to an underlying obligation or asset.

Hammersmith Council entered into its first interest rate swap deal in 1983. Its auditor declared that eight items in the accounts relating to interest rate swaps between April 1987 and July 1988 were contrary to law.

In July 1988 he received counsels' opinions on the legality of the transactions. They agreed that most of them, if entered into by a local authority, would be unlawful.

The opinions were drawn to the council's attention. It sought its own advice. That took some months, during which an interim strategy of containment and gradual extrication from the market was made.

On the auditor's application, the Divisional Court made a declaration that the relevant items of account for the financial years beginning April 1987 and April 1980 were contrary to law. It ordered that the accounts be rectified.

The order was not proposed by the council, but by banks which had entered into transactions with the council. They feared that if the items of account were declared contrary to law that might prejudice their right to enforce outstanding contracts.

The Divisional Court was of the opinion that between April 1987 and July 1988 the council was not engaged in "interest risk management," meaning transacting for legitimate, as opposed to speculative profit-making, purposes, but in a trade designed to exploit the market with a view to profit.

With regard to the subsequent interim strategy period, it concluded that if interest risk management transactions were capable of being within the council's statutory powers, so must activities undertaken to minimise risks to which it was exposed by earlier transactions.

The banks appealed.

The Local Government Act 1972 contained no express power enabling local authorities to enter into the types of transaction under challenge. Nor did it contain an express prohibition. That was not surprising since they were such a recent development.

The question was whether, despite the absence of express authorisation, local authorities were impliedly authorised by the Act to enter into such transactions.

The general approach to the question was well-established. In *Attorney-General v Great Eastern Railway 5 App Cas 473,478* Lord Selborne LC said "whatever might fairly be regarded as incidental to, or consequential upon, those things which the legislature has authorised, ought not (unless expressly prohibited) to be held ... to be *ultra vires*."

It was rightly accepted by the banks that local authorities were not empowered to trade in interest rate swaps. In general, they had no implied power to trade for profit.

The banks contended that nowadays when interest rates were highly volatile and local authorities were concerned to protect themselves against unfavourable movements and to take advantage of favourable movements, it was proper for a local authority to repay an existing loan and substitute a replacement loan at different interest as its perception of interest trends might dictate.

A swap transaction entered into by a local authority with reference to a particular debt for the purpose of varying the interest on that debt was an economical and convenient method of achieving the same financial result as could have been achieved by repayment and replacement borrowing or agreement with a lender without repayment.

Swap transactions for such a purpose, were a novel method of achieving an unexceptional end – regulating to best advantage the rate of interest payable on an authority's indebtedness. Interest rate risk management so described was "incidental to or consequential on" an local authority's powers of borrowing and investment, and to its duty to take reasonable care to manage its borrowings and investments prudently.

The detailed code in Schedule 13 to the 1972 Act, respecting the powers of local authorities to borrow and lend, and other statutory provisions regarding borrowing and lending, were not inconsistent with their being able, in appropriate circumstances to enter into swap transactions as part of interest risk management.

That left the question as to where the line was drawn between interest rate risk management, which was permissible, and *trading* which was not.

The important feature was the clear linkage between a swap transaction and a particular debt, or investment – the purpose and commercial effect of the swap transaction was to substitute for a cash flow in respect of a debt or investment a different cash flow.

If a swap transaction was by way of interest rate risk management, a local authority was empowered to enter into it; if it was not by way of interest rate risk management but was by way of trading, the authority was not so empowered.

All the swap transactions in the present proceedings were capable of being lawfully entered into by a local authority in the exercise of its powers under the 1972 Act, in the sense that there *might* be circumstances in which they could lawfully be undertaken by a local authority.

The court was satisfied that all the transactions to which the challenged items of account related up to July 1988, were tainted with the improper purpose of trading.

That conclusion was based primarily on one clinching fact, fatal to the inference that any of the transactions was entered into for a proper purpose. Neither before the transactions began, nor before July 1988, did the council make any careful and detailed analysis of future interest due or the losses which it might suffer. There was no attempt to match actual debts and investments with any of those transactions.

A number of references in the documents if taken alone suggested, or were consistent with a proper purpose. In the absence of any evidence of lawful purpose from those primarily involved, in face of the council's admission, and on consideration of the evidence as a whole, those references did not displace the clear impression that the transactions were entered into for the purpose of trading.

With regard to the period from July 1988 to February 1989, the evidence justified the assumptions that until July 1988 the council believed the swaps were lawful, recognised that if they stopped altogether pending legal advice it stood to suffer losses, and followed an interim strategy until the position was clarified.

The law had eschewed a rigid doctrinaire principle that all transactions tainted by lack of *vires* or illegality were necessarily and for all purposes void. Legal policy must discountenance excesses of power by statutory bodies, but it was sometimes necessary to accept that "what's done is done" and favour a rectification of the situation with minimum loss and inconvenience.

The council's purpose in transactions after July 1988 was radically different from what it had been before.

If a local authority had unwittingly and in good faith exceeded its powers, but with good reason was uncertain whether or not it had done so, it had implied power for such period as it reasonably took to resolve that uncertainty and to limit and reduce the loss which its earlier conduct might cause ratepayers or community charge payers.

The appeal was dismissed.

For Midland Bank, Security Pacific National Bank, Chemical Bank and Mitsubishi Finance International: Gordon Pollock QC, Rhodri Davies and Alan Griffiths (Clifford Chance)

For Barclays Bank: Nicholas Chambers QC and Catharine Otton-Goulder (Linklaters & Paines)

For the auditor: John Howell (AA Child, Westminster)

For the council: Anthony Scrivener QC and Catherine Newman (Herbert Smith)

Rachel Davies
Barrister

CONSTRUCTION CONTRACTS

Detention centre for Humberside

UK DETENTION CONTRACTORS, a joint venture between Sir Robert McAlpine & Sons and John Mowlem & Co, has started work on the £27m contract, awarded by the Property Services Agency, to build the Everthorpe remand centre in Humberside.

Located on a 40 hectare site at Everthorpe, near Hull, the fully self-contained remand centre with facilities for 300 inmates, will be contained within a 5.4 metre high perimeter wall of reinforced concrete construction.

The complex will comprise two-storey house blocks; a reception building; a sports building; administration units; an education building; a medical centre; a laundry and a works unit.

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£19m orders awarded to Tarmac Construction

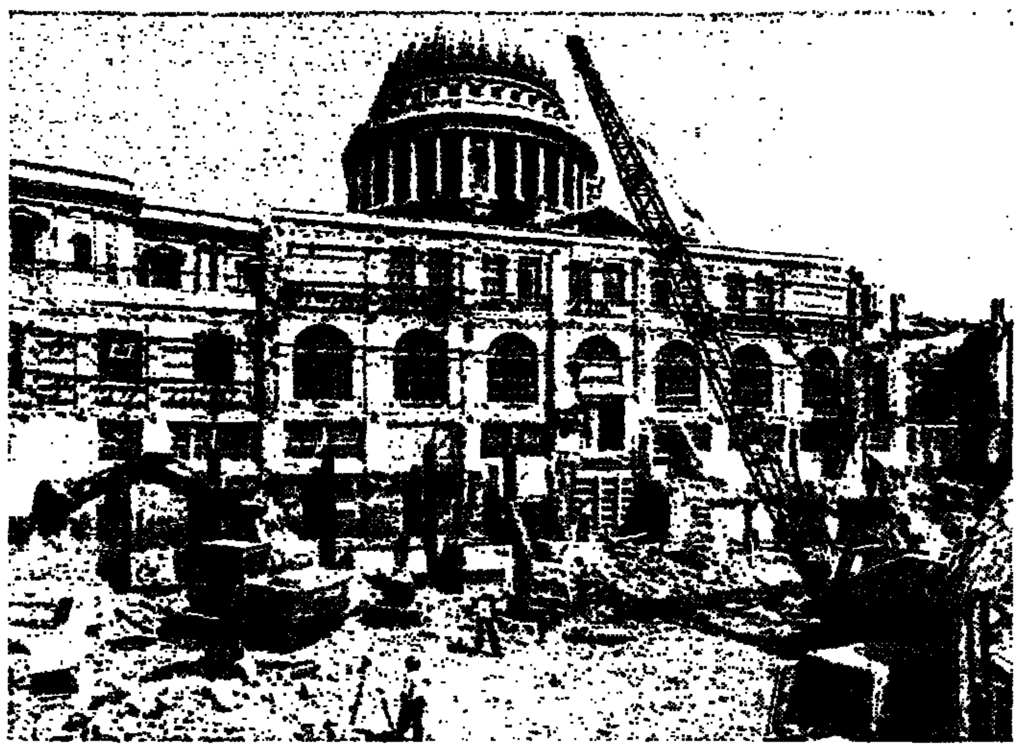
A Co-op headquarters and an engine factory are among £19m worth of new projects won by TARMAC CONSTRUCTION. The £5m head offices are to be built for the Greater Nottingham Co-operative Society and include retaining and incorporating part of a former warehouse on the site in Wollaton Street, Nottingham, as well as a new five-storey structure and underground car parking.

A contract worth £3.1m has been awarded by Perkins Engines for the construction of an engine factory and offices at its works at Shrewsbury. Another building with associated siteworks and drainage, costing £3.2m, is to be erected on the Birmingham Business Park at Colshill Park, near Birmingham, for Arlington Business Parks.

A Do-it-All store, costing £1.8m, is to be built at Aldridge, West Midlands, for W.H. Smith and at Liverpool, a TSB building is to be fitted out at a cost of £1.8m.

Roadwork, worth £1.6m, is to be carried out on a section of the A2 in Kent for Kent County Council.

The housing division has a £2m contract from Birmingham City Council to modernise flats on the Firs Estate, Castle Bromwich.



CYRIL SWEETT & PARTNERS has been appointed cost consultants by St Martins Property Investments for the redevelopment (behind the partly retained brick facade) of Wren House, Carter Lane, which is immediately opposite St Paul's Cathedral in the City of London. The works are being carried out by the BPF system of procurement and are anticipated to cost £16m. The redevelopment will consist of 85,000 sq ft of office space with air conditioning. Completion is scheduled by Costain Construction for December.

Local authority offices in Basingstoke

RUSH & TOMPKINS has started work on the £4.3m 36,000 sq ft civic offices (Phase II) at London Road, Basingstoke, for Basingstoke and Deane Borough Council. The offices will link with the existing civic offices, creating a pedestrian precinct.

Water works in Kent

Horsham-based civil engineering specialist, REES HOUGH, has been awarded two contracts totalling £3.7m. In Kent, Southern Water has appointed the company as main contractor on a conversion and construction project in Tunbridge Wells. The project covers the conversion a number of settlement tanks to storm water tanks and building an anoxic tank and three 20 metre diameter final settlement tanks.

A contract has also been awarded by Burton Property Trust for work at the Luton Retail Park. Referring to specifications from Bedfordshire County Council and Luton Borough Council, Rees Hough is to carry out a series of major highway alterations. Two roundabouts are to be enlarged and provision is to be made for a 36 metre diameter roundabout. A single lane carriageway is to converted into a dual carriageway for a distance of 230 metres to allow greater access to the park

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FAIRCLOUGH BUILDING has won a £7.7m contract for a new operating suite and sterile facilities at St Bartholomew's Hospital London. Essentially a large conversion scheme, the project is being carried out by the company's London and southern division at Surbiton.

COMMODITIES AND AGRICULTURE

Gold bullion prices drift $4.75 lower in London

By Kenneth Gooding, Mining Correspondent

LIFE WENT out of the gold bullion market yesterday and the price drifted down steadily in London to close at $411.25 a troy ounce, $4.75 below Friday's closing level.

Analysts suggested that the precious metal's failure to continue its recent sharp rise, in spite of a spate of seemingly bullish news for gold, had left the markets in London and New York uncertain about what might happen next.

Speculators were disappointed about the continued failure of gold to break conclusively through the $420 an ounce level, suggested one trader. Heavy selling by producers, who seem to believe that gold will not go much higher in the medium term, was triggered when the price reached the $420-$425 range.

One factor in yesterday's fall was a sharp rise in the US dollar during the weekend. Gold is denominated in dollars and a jump in the US currency usually dampens demand for the metal.

Some observers suggested that Tokyo traders sold gold to cover margin calls following yesterday's 4.5 per cent drop in equity prices in Japan – the second-biggest one-day fall.

Uncertainty about what would happen in equity and bond markets elsewhere contributed to nervousness in London, where gold traders saw very little business. The market also had to contend during the early part of yesterday with some option-related selling which forced the price down to $409.40 an ounce in Zurich at one stage. Yet the spot options expiration was orderly in general, traders reported.

"It's all a bit perturbing," admitted Mr Alan Baker, of Sharps Pixley, the bullion brokers. He asserted that the price fall was related to "a lack of interest; there has been no heavy selling of gold."

Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Hutton, said: "The market is in Limbo: gold is taking a back seat. But it won't go much lower, because nobody in his right mind would go short at the moment.

"We might have a quiet couple of weeks before the price moves, probably up, a little."

Pacific mine investments rising

By Kenneth Gooding

FOREIGN capital investment in gold projects in the Pacific Rim region could reach US$3bn by 1995, Kleinwort Benson, the financial group, forecasts.

This is about 20 per cent of total non-communist world investment in new gold projects in the period and "the region will continue to attract exploration activity and considerable foreign interest in the next decade."

The region, which includes such big gold producers as Japan, Papua New Guinea (PNG) and the Philippines, accounted for 5 per cent of the non-communist world's gold production in 1980 and this increased to 8 per cent by the end of the decade, Kleinworts points out in a special report.

The Pacific Rim already contains world-class deposits and its known gold reserves of 2,200 tonnes account for about 10 per cent of the western world total.

Kleinworts suggests PNG has perhaps the greatest potential as a gold producer in the region, although violence on Bougainville island and labour unrest at another PNG copper-gold mine – Ok Tedi – have raised some doubts whether the potential will be realised.

Last year PNG's gold production dropped from 32.6 tonnes to an estimated 19 tonnes because of the closure of Bougainville, which usually produces about 14 tonnes a year.

However, Kleinworts says that with projects such as Misima (7.2 tonnes of gold a year when in full production), Lihir (24 tonnes) and Porgera (25 tonnes), PNG's gold production capability will by 1995 rise to more than 100 tonnes a year.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+3,850	to 88,275
Copper	−4,850	to 83,350
Lead	−25	to 13,250
Nickel	−426	to 6,414
Zinc	−5,350	to 54,375
Tin	−135	to 9,895

Mexican oil revenues up 24%

By Richard Johns in Mexico City

MEXICO's revenues from petroleum exports in 1989 amouted to $7.28bn (£4.3bn), an increase of 24.3 per cent over the $5.85bn recorded in 1988, as a result of the market's recovery, despite a decline in the volume sold.

Shipments dropped to 1.27m barrels a day compared with just over 1.30m b/d in 1988. The export "platform" set by the Government for Petroleos Mexicanos (Pemex) was not sustained last year, because of a steep rise in domestic demand and the inability of the state oil corporation to increase production.

An internal document produced by Pemex's planning department last year said that even with the belated large-scale investment in exploration and development, it would be impossible for Mexico to remain an exporter by the year 2000.

It is possible that the report depicted a worst-case scenario to persuade the Mexican Treasury to accord Pemex a more favourable fiscal regime.

Meanwhile, the newspaper El Financiero last week quoted a report by the Mexican Institute of Petroleum – which could not imediately be confirmed – conveying the same bleak message.

The good news for the Ministry of Finance as it struggles to cut the Government's budgetary deficit is offset by dire warnings that Mexico – because of lack of exploration and development expenditure together with a failure to maintain reservoir pressures – could cease to be an oil exporter by the year 2,000.

As it was, last year average per barrel revenues for Mexico's three main crude varieties or "cocktails" – Maya, Isthmus and Olmeca – was $15.06 against the $10 very conservatively set in last year's budget. The projection for 1990 is $13.

Partly as a result of the higher return from an improved market, Pemex's contribution to state revenues through direct and indirect taxation rose by 19.5 per cent from 24,632.5bn pesos ($10.89bn at the exchange rate prevailing for 10 months of the year) to 29,417bn pesos ($11.93 bn at the average rate for 1989).

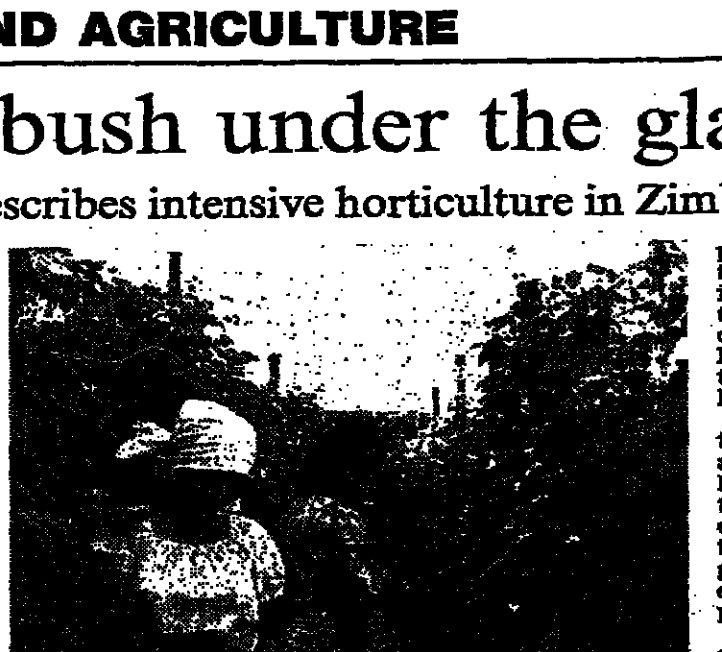
According to the latest available statistics from the Bank of Mexico – with figures for September and just preliminary estimates for October – the petroleum sector contributed 22.6 per cent of total Treasury revenue in the first 10 months of 1989.

Deep concern, though, hovers over the ability of Pemex to maintain its role as a main source of foreign exchange and state revenue because of the demands made upon it by the Ministry of Finance.

African bush under the glare of arc lights

Bridget Bloom describes intensive horticulture in Zimbabwe to supply food for Europe

TWENTY MILES along the road from Harare to Marandera, several 100 ft iron towers rise out of the Zimbabwe bush, for all the world like watch-towers left over from the country's bitter civil war of a decade ago. Yet the purpose of these contraptions is peaceable: topped with arc lights, they are there to lengthen the daylight hours for acre upon acre of green runner beans.



M & S claims its Zimbabwean runner beans were the only fresh supplies on sale in Britain at Christmas

The beans – the long flat variety beloved of the English, rather than the smaller, more rounded French green bean – are a pioneer product for Zimbabwe, and probably for Africa. For the last couple of months, consignments have been leaving Harare on Zimbabwe and British Airways flights for Gatwick and Heathrow, to appear within a day or two on the shelves of Britain's bigger Marks and Spencer food stores.

For the Zimbabwe farmers involved, the beans are a welcome diversification from their more traditional crops of tobacco and maize. The Zimbabwe Government is happy too with the employment and foreign exchange that the new crop provides.

As for Marks and Spencer, the beans are a coup for the company's efforts to keep ahead of its rivals in the food retailing business. "We were the only store in Britain offering our customers fresh runner beans at Christmas," Dr Tom Clayton, M and S's senior produce executive, boasted this week.

Mr Jeff Perlman, a stocky farmer with a shock of white hair and piercing blue eyes, started growing the beans two years ago, having begun to grow vegetables only three years earlier. In a different, swash-buckling incarnation – fighting in Israel 40 years ago – he saved the life of one of the Sieff family, the founders of M and S. However, both he and the company insist that the incident afforded no more than a later introduction.

As Mr Perlman relates, he visited M and S headquarters in London in the early 1980s. "They said to me, 'what do you grow?' When I said tobacco, they said, 'we don't sell that. What about mange-tout peas?' I said I'd give it a try."

Last year, Mr Perlman, his partner Mr Peter Howson and nine neighbouring farmers who grow for them, produced an average of 40 tonnes of "exotic" vegetables a week. To mange-tout peas have been added sweet corn, sugar snap peas, green and white asparagus, baby courgettes and cherry tomatoes.

Runner beans are just the latest addition. However, plans exist to extend the list to include soft fruit such as strawberries and possibly temperate vegetables like leeks. In each case, the aim is to fill a seasonal gap in markets which more temperate countries cannot supply.

While the local market barely exists, Hortico, the company founded by Perlman and Howson, now exports not only to the UK but to other EC countries, Australia and South Africa. Turnover has risen from Z$30,000 on start-up in late 1985 to Z$4.2m (£1m) last year and a probable Z$8m-Z$10m (£2m-£2.5m) this year.

Mr Perlman is clearly delighted at his new enterprise. Although he still runs his traditional farming operation on some 2,000 acres, Hortico and their farmer outgrowers – for the time being all white commercial farmers – have now about 1,500 acres under exotic crops. He reckons that altogether the operation employs more than 700 Zimbabweans, nearly 300 of them in the packing-house at peak periods.

Mr Perlman is quite clear that without Marks and Spencer and its input of technological and marketing expertise, his new horticultural enterprise would not have got off the ground. That is one reason why he (like many other growers for the British retailer) is prepared to put up with the tough conditions the company imposes on quality and – in the case of the runner beans – on exclusivity of supply. This last condition is especially tough since wastage can be as high as 50 per cent of the crop.

There are natural advantages, however, in siting such an operation in Zimbabwe. As Mr Dermot Cassidy, Hortico's technology manager, points out, Zimbabwe with its sub-tropical climate "is one gigantic greenhouse" where continuous all-year round production is possible.

"But that also creates its own problems; in such an uncontrolled environment, conditions are ripe for the spread of pests and diseases: our biggest challenge is to get our cultural practices right to minimise their effect," he adds.

Nor does it help, as Mr Perlman notes, that Zimbabwe – which as Rhodesia before independence was for years ostracised by the world with economic sanctions – has no tradition of horticulture to speak of, and thus no research base in any of the crops sought in the now open markets of Europe.

"Neither does it help us that we're in Africa," Mr Perlman adds wryly. "People seem to assume that Africa is inefficient, or somehow incapable of producing good wholesome produce. Yet anyone who's been here can see our farming is good."

On the other hand, being in Africa does have notable advantages: despite wage increases since independence, labour is still cheap in Zimbabwe and (on tobacco farms like Mr Perlman's) relatively skilled, while the country's industry is comparatively sophisticated.

The aim now is to pack more on the farm (already the M and S ready-priced labels are attached to several packed products) while Mr Perlman hopes to encourage African peasant farmers to become outgrowers. Recently, he took on two black science graduates to work as trainee technologists.

Out in the fields, the runner beans – dispatched in commercial quantities only in the last two or three months – illustrate some of the cultivation problems that can arise. Mr Perlman is not anxious to go into too much detail "in case the competition is listening." Yet as an example the growers and company technologists between them hit upon the arc lights (they are like those which illuminate football stadiums and each covers as big an area) as a way of simulating the long summer evening which make the beans thrive in English vegetable gardens.

Another difficulty with beans cultivation has yet to be solved: Mr Dermot Cassidy points out that pollination is hard, since African bees are smaller than European ones. "It isn't a question of importing EC bees," he says. "Bees just grow smaller here."

Zimbabwean farmers are in no way unique in catering for the taste of sophisticated consumers thousands of miles away. In Africa, Kenya was an honourable pioneer in growing vegetables, including French beans, 15 years ago. Nor is the experience confined to Africa.

Thailand, with growing exports of baby corn, or Guatemala, now supplying Europe as well as the US, are possibly further advanced than Zimbabwe along that particular road.

Yet for a country like Zimbabwe, which earns more than 40 per cent of its foreign exchange from agriculture, any diversification from traditional crops is welcome, especially if it also adds value and provides employment.

Grain output to decline by 9% in Brazil this year

By John Barham in Sao Paulo

THE BRAZILIAN Government expects a 9 per cent drop in output of grain this year, with rice and soyabeans bearing the brunt of the decline. The Ministry of Agriculture says farmers are likely to harvest only 65.04m tonnes of grains in 1990, compared with the 71.4m-tonnes harvested last year.

The ministry forecast is based on field surveys in the centre and south of Brazil, the country's agricultural heartland. It expects a harvest of 21.05m tonnes of soyabeans in the region this year, compared with 23.2m tonnes in 1989, a decline of 9 per cent. Brazil is the world's second largest soyabean producer, with exports estimated at 15.1m tonnes last year.

The rice harvest is set to suffer a 16 per cent decline in the south-central region, falling to 6.9m tonnes from 8.3m tonnes in 1989.

The drop is blamed mainly on bad weather, the rising cost of farm inputs and very high nominal interest rates which also led to decreased yields. The soyabean crop yield may fall 2 per cent, although rice yields could rise 1 per cent.

However, a separate survey by the Brazilian Statistics Office expects a smaller decline in farm output this year, with production falling only 4.4 per cent to 68.5m tonnes.

US offers subsidised wheat to Moscow

By Nancy Dunne in Washington

THE US Department of Agriculture, concerned about relatively weak world wheat prices, has issued a new offer to the Soviet Union for 1m tonnes of subsidised wheat.

However, the Chicago futures markets had already discounted the offer and yesterday prices for July wheat stood at about $3.46 a bushel, 50 cents below the March price for old wheat.

Mr Jerry Zusel, an analyst with Balfour McLean in Chicago, said tight stocks resulting from past droughts has pushed the US price higher than the world price for old wheat, but new supplies were likely to push prices down further to between $3 and $3.25 a bushel.

The 1989 UK harvest is now estimated at 22.5m tonnes, up 100,000 tonnes from the estimate made last October, the Ministry of Agriculture announced yesterday. The figure is based on the January 1990 farm-based Cereals Production Survey in England and Wales and estimates for Scotland and Northern Ireland.

The USDA said US wheat export prices had declined to below year-earlier levels because of rising stocks, a larger than anticipated Southern Hemisphere harvest and prospects for a large 1990-91 Northern Hemisphere crop.

World wheat output in 1989-90 is up about 7 per cent from 1988-89, although consumption is expected to exceed production for the third year in succession. This could reduce year-end world stocks to their lowest levels since 1981-82. US ending stocks for 1989-90, forecast at 443m bushels, could sink to the lowest since 1974-75.

However, increases in the area planted and a return to normal yields this year will probably allow stocks to increase modestly.

While the winter wheat crop in the US Southern Plains was hit by dry weather last autumn and in the early winter, rain and relatively mild temperatures in January and February have boosted crop prospects.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices rallied on the London Metal Exchange yesterday following Friday's setback, but finished below the day's highs. The cash position closed at £1,442 a tonne, up £11 from Friday, while three months metal gained £7 to £1,431 a tonne. Weak equities hit copper values early on but then the market was boosted by news of a sharp fall in LME warehouse stocks last weak. An early advance on the New York market also helped to lift prices in London before they ran into stiff chart-based resistance. The three months lead price surrendered early gains to close unchanged at £431.50 a tonne but the cash price fell sharply after the announcement of only a marginal fall in LME stocks last week. The cash quotation, which had advanced by £68 a tonne last week because of supply fears, ended £17.50 down yesterday at £497.50 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.45-6.50z	+.125
Brent Blend	$19.35-9.45z	+.125
W.T.I. (1 pm est)	$21.65-1.70z	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	+2
Gas Oil	172-173	+2
Heavy Fuel Oil	$92-93	+2½
Naphtha	$185-187	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$411.25	-4.75
Silver (per troy oz)♣	523c	-4
Platinum (per troy oz)	$513.50	-8.9
Palladium (per troy oz)	$133.0	-2.5
Aluminium (free market)	$1495	+10
Copper (US Producer)	120⅝-3½c	+½
Lead (US Producer)	43½c	+½
Nickel (free market)	365c	+30
Tin (Kuala Lumpur market)	16.84r	+0.35
Tin (New York)	292c	-3
Zinc (US Prime Western)	66¼c	
Cattle (live weight)†	110.80p	+0.47*
Sheep (dead weight)†	201.16p	-7.84*
Pigs (live weight)†	98.12p	+2.54*
London daily sugar (raw)	$351.0x	-3.6
London daily sugar (white)	$426.5x	-1.5
Tate and Lyle export price	£321	-1
Barley (English feed)	£111.5w	
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	£127	
Rubber (Apr)♥	55.50p	
Rubber (May)♥	56.25p	
Rubber (KL RSS No 1 Mar)	230.0m	+0.5
Coconut oil (Philippines)§	$362.5t	
Palm Oil (Malaysian)§	$260w	
Copra (Philippines)§	$225	
Soyabeans (US)	£168	+1
Cotton "A" index	78.10c	
Wooltops (64s Super)	548p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	640	638	643 639
May	655	655	659 655
Jul	668	668	673 665
Sep	684	683	688 683
Dec	706	708	711 706
Mar	728	726	731 727
May	745	742	747 744

Turnover: 6075 (6661) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 23 809.64 (803.45) 10 day average for Feb 26 778.93 (773.25)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	624	623	625 615
May	640	636	640 627
Jul	649	646	650 641
Sep	660	658	663 655
Nov	672	673	675 670
Jan	685	690	690 685
Mar	704	695	705 702

Turnover: 4197 (7703) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 23: Comp. daily 71.40 (70.99). 15 day average 68.38 (65.80)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	317.80	320.60	322.00 317.40
May	319.40	323.00	324.00 319.00
Aug	318.80	321.00	322.60 318.00
Oct	310.80	313.00	314.40 310.40
Dec	309.00	311.40	
Mar	288.60	289.40	290.00 288.00
White	**Close**	**Previous**	**High/Low**
May	423.5	424.0	424.5 422.5
Aug	421.5	423.0	422.5 421.0
Oct	391.5	391.9	392.0 389.0
Dec	369.5	369.5	370.0 367.0
Mar	363.0		363.5 363.0

Turnover: Raw 4331 (2965) lots of 50 tonnes. White 843 (925)
Paris- White (FFr per tonne): May 2431, Aug 2435, Oct 2273, Dec 2160, Mar 2131, May 2136.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Apr	19.58	19.24	19.60 19.12
May	19.56	19.30	19.62 19.22
Jun	19.54	19.29	19.59 19.20
Jul	19.24		19.25 19.24
IPE Index	19.19	19.46	

Turnover: 4302 (5710)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	172.50	169.00	172.50 167.00
Apr	168.50	165.00	168.50 164.75
May	166.00	163.50	166.00 163.00
Jun	164.50	163.25	165.50 162.75
Jul	166.50	164.75	166.50 162.00
Aug	165.00	165.50	165.00
Sep	167.00	169.00	167.00
Nov	169.00		169.00

Turnover 6475 (4079)lots of 100 tonnes

TEA
THERE WERE 33,569 packages on offer including 10,200 offshore, reports the Tea Brokers' Association. Coloury Assams met a fair enquiry at 5p to 8p below last rates but plainer sorts lost 10p to 15p per kilo. A limited selection of bright medium Africans remained steady but all others declined by 10p to 20p with plainest teas neglected. Brighter liquoring Ceylons were quite well supported although prices eased by 5p to 10p. Plainer descriptions attracted little response. In the offshore auction CIF teas met fair demand at easier rates. Quotations: quality 200p (220p), medium 118p (127p), low medium 88p (93p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,175 tonne
Cash	1494-6	1494-6	1497	1496-7		
3 months	1499-500	1497-8	1508/1495	1500-1	1502-3	-
Copper, Grade A (£ per tonne)						Ring turnover 34,550 tonne
Cash	1441-3	1430-2	1442/1436	1435-6		
3 months	1431-2	1424-5	1441/1428	1428-30	1440-1	-
Lead (£ per tonne)						Ring turnover 5,800 tonne
Cash	496-500	510-20	510	509-11		
3 months	431-2	431-2	436/431	433-4	431-2	-
Nickel ($ per tonne)						Ring turnover 1,224 tonne
Cash	7775-825	7750-800	7875/7810	7875-800		
3 months	7775-800	7725-50	8000/7800	7925-75	7775-825	-
Tin ($ per tonne)						Ring turnover 275 tonne
Cash	6325-45	6405-25	6390/6370	6390-400		
3 months	6450-70	6530-50	6500/6470	6500-20		-
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,575 tonne
Cash	1447-50	1452-7	1440	1440-2		
3 months	1430-2	1437-40	1442/1425	1430-1	1433-4	-
Zinc ($ per tonne)						Ring turnover 2,375 tonne
Cash	1445-50	1445-55	1440	1440-2		
March 30	1420-5	1420-30		1415-20		-

LME Closing £/$ rate:
SPOT: 1.6960 3 months: 1.6685 6 months: 1.6454 9 months: 1.6199

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	188.0	189.0	193.5 186.5
May	219.5	222.5	223.6 219.0
Apr	145.0	140.0	140.0

Turnover 219 (369) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	125.00	125.00	125.00
Dec	128.00	129.00	128.00

Turnover 61 (85) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/Index point

	Close	Previous	High/Low
Feb	1600	1599	1600 1597
Mar	1654	1650	1655 1648
Apr	1660	1660	1663 1658
Jul	1395	1392	1400 1395
Oct	1496	1495	1492 1492
Jan	1493	1500	1497 1495
BFI	1593	1591	

Turnover 594 (272)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Mar	111.60	111.70	111.60 111.55
May	114.75	114.70	114.75 114.35
Jun	116.75	116.75	
Sep	106.30	106.20	
Nov	109.15	109.05	
Barley	**Close**	**Previous**	**High/Low**
Mar	104.25	104.25	104.00
May	106.75		106.50
Sep	103.50	103.65	103.60
Nov	106.90	106.90	

Turnover: Wheat 47 (237), Barley 27 (64).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	119.0		119.5 118.5
Jun	120.0	120.5	119.5
Oct	114.5	121.0	

Turnover 63 (129) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	411-411½	242¼-242¾
Opening	413-413½	243¼-243¾
Morning fix	412.75	243.152
Afternoon fix	411.30	242.012
Day's high	413-413½	
Day's low	409½-410	
Coins	**$ price**	**£ equivalent**
Mapleleaf	420-425	247½-250½
Britannia	420-425	247½-250½
US Eagle	420-425	247½-250½
Angel	420-425	247½-250½
Krugerrand	410½-413½	242-244
New Sov.	97-99	57-58½
Old Sov.	97-99	57-58½
Noble Plat	519.85-527.90	305.95-310.60
Silver fix	**p/fine oz**	**US cts equiv**
Spot	308.25	523.65
3 months	319.85	534.60
6 months	331.50	546.60
12 months	354.50	568.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	100	115	1	16
1500	22	53	22	52
1600	1	19	100	116
Copper (Grade A)	**Calls**		**Puts**	
2300	143	151	25	52
2400	80	98	60	95
2500	38	56	117	153
Coffee	**May**	**Jul**	**May**	**Jul**
600	52	69	12	20
650	24	41	34	42
700	9	22	69	73
Cocoa	**May**	**Jul**	**May**	**Jul**
600	60	75	5	9
650	26	42	21	26
700	8	20	53	54
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	48	63	10	30
1950	20	43	33	52
2000	2	20	63	89

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	408.7	415.0	413.0	405.7
Mar	409.1	415.5	0	0
Apr	411.8	418.2	416.0	409.5
Jun	417.4	423.9	422.0	416.2
Aug	422.7	429.3	426.5	420.5
Oct	428.0	434.7	432.5	429.3
Dec	433.2	440.1	438.0	431.5
Feb	438.7	445.8	438.0	437.0
Apr	444.0	451.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	511.1	526.5	522.0	506.0
Jul	516.1	531.3	526.0	512.5
Oct	522.1	537.1	532.5	527.1
Jan	528.5	543.5	534.0	534.0
Apr	535.1	550.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	514.7	523.8	0	0
Mar	514.8	524.0	523.9	513.0
Apr	519.1	528.3	0	0
May	523.0	532.5	532.0	521.5
Jul	531.1	540.8	540.5	529.0
Sep	539.7	549.4	549.0	539.0
Dec	551.5	561.2	561.2	549.5
Jan	555.0	564.7	0	0
Mar	563.3	573.3	570.0	570.0
May	571.6	581.6	580.9	580.9

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	114.80	115.80	115.25	114.70
Mar	113.85	114.00	114.85	112.60
Apr	110.30	110.50	110.30	110.30
May	107.05	107.50	107.60	106.10
Jun	105.15	105.55	105.25	104.95
Jul	103.15	103.95	103.60	103.00
Aug	102.35	103.05	0	0
Sep	101.35	102.00	102.00	101.70
Oct	100.75	101.40	0	0
Nov	100.00	100.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	21.77	21.42	21.80	21.48
May	21.88	21.47	21.90	21.52
Jun	21.83	21.42	21.88	21.46
Jul	21.67	21.21	21.73	21.26
Sep	21.42	20.87	21.47	20.90
Oct	21.41	20.84	21.41	20.85
Nov	21.41	20.82	21.41	20.85
Dec	21.40	20.82	21.43	20.86
Jan	21.41	20.82	21.45	20.85

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 26	Feb 23	mnth ago	yr ago
1826.5	1829.4	1786.3	1941.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 23	Feb 22	mnth ago	yr ago
Spot	131.29	131.45	127.50	137.14
Futures	132.42	132.86	129.42	138.89

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5895	5690	5940	5855
May	5690	5530	5700	5640
Jun	5600	5520	5600	5540
Jul	5600	5500	5605	5525
Sep	5750	5670	5752	5700

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1043	1059	1057	1042
May	1019	1044	1037	1017
Jul	1027	1047	1042	1025
Sep	1040	1061	1055	1040
Dec	1072	1087	1082	1068
Mar	1093	1107	1100	1090
May	1108	1118	0	0
Jul	1121	1136	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	91.42	91.55	92.30	90.20
May	92.66	92.87	93.70	91.70
Jul	94.01	93.88	96.40	93.25
Sep	95.50	95.89	96.75	94.90
Dec	98.00	98.00	99.00	97.50
Mar	100.38	100.00	100.80	99.90
May	102.25	101.00	102.00	102.00
Jul	102.50	103.50	103.00	103.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.42	14.46	14.58	14.35
May	14.48	14.56	14.68	14.47
Jul	14.36	14.46	14.56	14.35
Oct	14.00	14.07	14.16	13.98
Mar	13.29	13.40	13.46	13.28
May	13.14	13.25	0	0
Jul	13.00	13.30	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	68.65	68.75	68.85	68.40
May	70.08	70.48	70.40	70.05
Jul	70.40	70.80	70.70	70.38
Oct	66.41	66.58	66.50	66.33
Dec	64.91	65.11	65.20	64.90
Mar	65.60	65.80	0	0
May	66.32	66.55	66.50	66.35

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	194.10	196.80	196.40	193.50
May	190.35	193.05	192.00	190.10
Jul	187.40	190.10	189.00	187.00
Sep	183.50	186.25	184.60	183.25
Nov	179.45	183.00	181.50	178.00
Jan	176.50	180.25	178.50	176.00
Mar	176.50	180.25	0	0
May	176.50	180.25	0	0
Jul	176.50	180.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	561/6	565/2	565/0	560/4
May	574/2	577/6	577/0	572/6
Jul	585/6	588/6	589/0	584/0
Aug	588/6	591/2	591/0	588/0
Sep	588/4	590/4	591/4	587/4
Nov	594/2	595/6	595/6	592/2
Jan	603/6	605/4	605/0	602/4
Mar	613/6	615/4	613/6	613/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.48	20.67	20.70	20.47
May	20.66	20.87	20.87	20.63
Jul	20.79	20.99	20.99	20.76
Aug	20.71	20.88	20.90	20.70
Sep	20.67	20.75	20.75	20.55
Oct	20.37	20.55	20.60	20.35
Dec	20.33	20.49	20.53	20.30
Jan	20.25	20.35	20.40	20.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	161.3	161.8	161.8	160.4
May	165.4	165.6	165.7	163.8
Jul	169.4	169.6	169.5	167.8
Aug	171.4	171.5	171.5	170.1
Sep	173.4	173.5	173.5	172.3
Oct	174.5	175.0	175.3	173.8
Dec	177.8	178.0	178.0	176.7
Jan	179.3	179.5	179.3	178.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	246/0	245/6	246/2	245/0
May	253/0	253/2	253/4	252/0
Jul	257/2	258/0	258/0	256/4
Sep	255/0	256/4	256/2	254/6
Dec	253/0	254/6	255/0	252/2
Mar	259/0	260/6	260/2	258/2
May	261/2	263/2	262/6	261/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	396/2	394/0	396/6	393/4
May	366/0	366/6	367/2	365/2
Jul	345/6	348/6	347/2	345/2
Sep	351/6	353/0	353/2	351/4
Dec	363/4	364/6	365/0	363/4
Mar	371/0	372/0	371/2	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	75.27	75.55	75.75	75.25
Jun	70.47	70.42	70.75	70.15
Aug	69.95	70.12	70.27	69.90
Oct	72.30	72.50	72.57	72.15
Dec	72.77	73.00	72.97	72.72
Feb	72.80	73.00	72.85	72.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	48.72	48.15	49.77	49.20
Jun	54.70	54.62	54.80	54.32
Jul	54.15	54.15	54.40	54.00
Aug	51.85	52.12	52.40	51.75
Oct	47.10	47.10	47.20	46.90
Dec	47.47	47.40	47.55	47.25
Feb	47.82	47.90	47.90	47.75
Apr	45.90	46.20	0	45.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	53.27	54.25	54.20	52.75
May	54.70	55.17	55.35	54.10
Jul	55.45	55.82	56.05	54.95
Aug	53.67	54.20	54.15	53.25
Feb	57.75	57.80	58.00	57.40
Mar	58.00	58.00	0	0

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LONDON STOCK EXCHANGE

London refuses to follow Tokyo

THE UK stock market yesterday staged an impressive recovery after falling in early trading to the Footsie 2,200 area, which again proved to be a buying platform for domestic investors. Trading volume gave little cause for celebration, but the net gain on the day of 12.6 Footsie points represented a turnround of nearly 52 points over the course of the session.

Investors appeared to be weighing domestic investment factors against the trend of other world markets and bought UK equities as they began to look, "attractive against cash, for the first time this year," according to Mr John Reynolds, equity strategist at County Natwest, the UK investment banking house.

Account Dealing Dates		
*First Dealings:		
Feb 12	Feb 26	Mar 12
Option Declarations:		
Feb 22	Mar 8	Mar 22
Last Dealings:		
Feb 23	Mar 9	Mar 23
Account Day:		
Mar 5	Mar 19	Apr 2

*New time dealings may take place from 9.00 am two business days earlier

Against the backcloth of a new setback of 1,569 points in the Nikkei Average in Tokyo, London opened sharply down. The estimated loss of around 39 points ahead of the official opening put the UK market only just above FT-SE 2,200, and nervous selling dried up as traders waited to see whether this well-signposted support level would hold fast after last week's slide in equities.

A few institutional buying orders were more than enough to squeeze trading positions in equities and, in particular, in the Footsie futures market, where the current contract moved to a 19 point premium and led the stock market ahead.

The equity rally was encouraged by gains in UK banking shares as last week's profits statements were absorbed and London moved into plus territory as traders began to hope for similar recoveries in New York and Tokyo. With Wall Street 20.94 ahead in early trading, London closed at its best of the day, a net 12.6 points up at 2,249.3.

Equity specialists commented that at yesterday's low point, UK stocks were offering a potential dividend yield of around 5 per cent which, together with the predicted year-end Footsie target of 2,600 still held by several leading firms, indicates a total potential return for the year of around 20 per cent – a challenge to current returns of just over 15 per cent on cash.

The speed of the recovery brought some doubts as to how far it can be sustained, particularly in view of the modest trading volumes. Seaq volume was slow to develop yesterday and even after increasing significantly when Wall Street opened, turned in a total of only 337m shares for the session, against 472.6m on Friday.

The market was helped by optimism ahead of the announcement tomorrow of the UK trade figures for January. However, any prolonged recovery in equities is likely to hinge on an improvement in world bond markets. London's bond/equity reverse yield gap remains at 6 per cent, and this is expected to restrain recovery in share prices.

FINANCIAL TIMES STOCK INDICES

	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ordinary Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ord. Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Earning Yld %(full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio(Net)(*)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
SEAQ Bargains(5pm)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Equity Turnover(£m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Equity Bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
Shares Traded (mil)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

Ordinary Share Index, Hourly changes — Day's High [illegible] Day's Low [illegible]

FT-SE, Hourly changes — Day's High [illegible] Day's Low [illegible]

GILT EDGED ACTIVITY [illegible]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Income funds buy Barclays

Barclays Bank, the last of the "big-four" high street banks to report full-year results – they are scheduled for Thursday – staged a strong and sustained recovery as income funds chased the stock in expectation of a rise in the dividend payout.

After opening lower and slipping back to 547p in line with the general market slide, the shares steadied and began to edge forward as buying interest from the income funds uncovered a number of short positions in the market. A subsequent squeeze saw the share price advance strongly for the rest of the session to close a net 16 firmer at 566p, easily the day's best level.

The sharp rise in the share price and the relatively light turnover emphasised the stock shortage; turnover came out at 1.3m, well down on usual levels of business in the shares.

Forecasts of Barclays full-year profits vary considerably. UBS Phillips & Drew expects pre-tax profits of £815m, compared with last year's £1.39 bn and a dividend total of 26.3p, compared with 23p. Hoare Govett goes for pre-tax profits of £820m, and County for £1.03 bn. The bank is expected to increase its provision against LDC debt from 50 per cent to around 70 per cent.

Vickers pleases

Full-year results from Vickers, which opened the reporting season for leading engineering companies with profits ahead of market expectations, helped make the shares a firm market.

The shares closed 10 up at 205p as the company reported a 20 per cent increase in profits to £83.6m (£69.8m) with the biggest boosts to profits coming from trading cash flows and bank interest payments.

Mr Pete Deighton at County NatWest said: "These are good figures and the underlying trading conditions in key areas are still strong. I expect a significant increase in car profits this year and I think defence profits will also improve due to the inclusion of Ross Catheral, acquired in in October 1989." County is predicting 1990 profits of £92m, and £102.5m for 1991.

Shortly after the release of the results, it was announced that IEP Securities, controlled by Sir Ron Brierley, the New Zealand businessman, had increased its stake in Vickers from 17.5 per cent to 18.21 per cent.

Analysts ruled out the prospect of a bid from IEP, regarding an overseas purchaser as unlikely because of Vickers' defence interests, and the fact that the Rolls-Royce car marque would have to revert to its original holder in the event of a bid for Vickers. One analyst said: "Quite clearly he [Brierley] is boxed in. All he can do is keep on buying and then pass his stake on."

Boots neglected

Boots was one of the few FT-SE 100 stocks to show unabated weakness in steady volume through the day.

The cause, according to marketmakers, was a profits downgrading from analysts at UBS Phillips & Drew. Mr Charles Nichols at UBS trimmed his forecast for the current year from £342m to £338m and cut next year's figure from £395m to £265m.

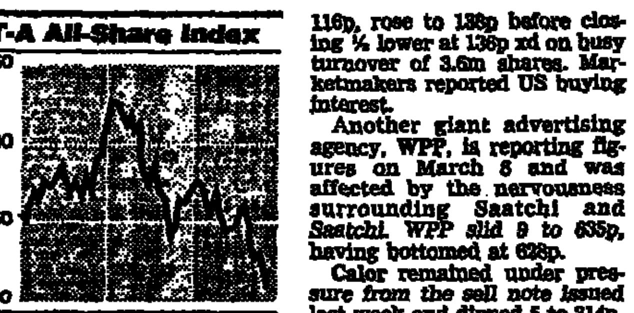
He cited as reasons for his caution, three problems, all relating to last year's acquisition of Ward White. First, debt was high; second, the margins at Payless, the out-of-town D-I-Y chain, had seemed higher in the accounts than they really were as a result of some unrepeatable gains, such as in property; and third, that the high street D-I-Y chain AG Stanley was having a difficult year.

Boots closed above the 258p worst of the day at 263p still a net decline of 3.

The bank stocks were buoyed by a flurry of buying and bear closing. Abbey National continued to perform well in front of tomorrow's preliminary figures which Mr John Wriglesworth of UBS Phillips & Drew, a long-time bull of the shares, expects to come out at £490m. He is looking for a dividend total of 8.5p. At the close Abbey shares were within striking distance of their 1989-90 high of 191p and 5 up at 181p. TSB rose 3 to 138p.

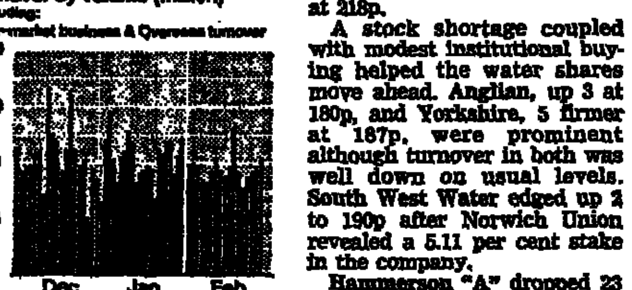
Lloyds were 9 higher at 290p xd, on good turnover of 7.2m while NatWest, where turnover was 6.1m, added 7½ to 350p xd. Midland, upset by switching from the shares into other clearers, struggled but managed to end the session in positive territory, edging up ½ to 350p, xd, having been as low as 338p early on. Standard Chartered were 7 up at 575p, after 560p, after suggestions that Lloyds might be about to place their 4.9 per cent stake in the bank, a legacy of the unsuccessful takeover bid made in the early-1980s.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Hambros highlighted the merchant banks, moving ahead late to close 5 firmer at 311p on persistent stories that a bid for the group could well emerge. Baltica, the Danish financial services group, recently built up a 15 per cent stake in Hambros and there have been hints that a consortium, including Banque Indosuez, is looking for eventual control of the UK merchant bank.

Dealers marked the composite insurers sharply lower at the outset, wary of the impact on sentiment of the latest bout of bad weather in the UK. The preliminary reporting season gets underway tomorrow with figures from Commercial Union and General Accident. No selling pressure emerged, however, and the composites closed with gains on the session. Commercial Union, 487p, General Accident, 1123p and Sun Alliance 311p, were all 3 higher, while Royal Insurance added 10 at 506p.

Saatchi and Saatchi had an erratic day, falling steeply at the outset on press comment that followed last week's sharp fall in the share price and profit warning, and then recovering with the wider market. The shares touched a low of 116p, rose to 138p before closing ½ lower at 136p xd on busy turnover of 3.6m shares. Marketmakers reported US buying interest.

Another giant advertising agency, WPP, is reporting figures on March 8 and was affected by the nervousness surrounding Saatchi and Saatchi. WPP slid 9 to 635p, having bottomed at 628p.

Calor remained under pressure from the sell note issued last week and dipped 5 to 314p. British Gas performed creditably, dealers said, adding 3½ at 218p.

A stock shortage coupled with modest institutional buying helped the water shares move ahead. Anglian, up 3 at 180p, and Yorkshire, 5 firmer at 187p, were prominent although turnover in both was well down on usual levels. South West Water edged up 2 to 190p after Norwich Union revealed a 5.11 per cent stake in the company.

Hammerson "A" dropped 23 to 700p on a turnover of just 229,000 shares. "It look's worse than it actually is," said one dealer, who explained that 10 or 15 movements in Hammerson were a common occurance, adding that marketmakers had stock on their books. Another explanation for the decline was provided by UBS Phillips and Drew, which turned cautious on the stock because of the structure of Hammerson's portfolio. There was also talk of a badly executed sell order and suggestions of downgradings to keep it on the defensive.

Food manufacturing and retailing shares put in a good performance as investors favoured their defensive qualities. Unilever reversed an early 9 loss to end 6 higher at 625p, as sterling's recent rally against the D-Mark appeared to run out of steam. News of a £43m acquisition of a Mexican food manufacturer had little impact in the market, although one analyst pointed out: "Last year Unilever made acquisitions in personal products. Perhaps 1990 will be the year of food manufacturing." Unilever's final results are due this morning, and full year profits of £1.71bn are expected, against £1.45bn last time.

Cadbury Schweppes was held back on speculation that General Cinema may be less likely to make a bid following news that it had asked for sale prospectuses for Marshall Fields and Saks Fifth Avenue, which are being sold by BAT. General Cinema holds a 16.9 per cent stake in Cadbury's, which closed unchanged at 316p. Cadbury's final results are out tomorrow and profits of £250m are expected, against £215m last time, though some analysts have suggested that a recent strong trading performance could push them up to £253m.

Asda added 5½ to 109p having received support at the 105p chart point. But analysts said Asda was trapped in a range of 105 to around 115p, with investors willing sellers at the higher levels.

Renewed publicity for interest expressed by General Cinema in Marshall Field's and Saks Fifth Avenue, the two US department store chains which it is preparing to sell by auction, helped BAT Industries shares.

BAT has dismissed any suggestion that it has reached detailed negotiations with any parties, however. Prospectuses for the sale of the two US stores only went out this month and the short-lists of potential buyers is unlikely to be drawn up before early March. BAT added 8 at 784p.

ICI recovered well after last week's cautious response to the company's latest quarterly results. The shares climbed 15 to 1050p on solid turnover of 1.6m shares.

Williams Holdings opened lower with the market but turned to close a penny up 235p as the company reported full year figures above market expectations.

Profits for the year to December 1989 rose by 32 per cent to £153.5m, against £116m last time.

Mr Angus Blair at Kitcat & Aitken forecast profits of £160m in 1990 and £175m in 1991 and said that "restructuring benefits in the industrial division will be seen this year which should counter dullness in the consumer division."

Weekend press tips helped BET add 3 to 238p on turnover of 2m shares. A Nomura profits upgrading was said to have helped BTR gain 7 to 404p on trade of 1.7m shares. Traders still believe the company intends to create a US vehicle similar to its successful Australian subsidiary BTR Nylex.

Bargain hunters lifted British Aerospace, the shares adding 5 to 492p. There was also good support for Hawker Siddeley and the shares firmed 8 to 613p but it was a squeeze that helped IMI edge 3 forward to 210p.

S. G. Warburg was reported to have been pushing British Steel and the shares hardened 2 to 135.

Body Shop fell steeply as national newspapers publicised stories circulating in the market last week which suggested that the European Commission intended to tighten controls on the sales of cosmetics that have not been tested on animals. News that amendments to a 1976 European Community directive being drafted in Brussels would not require any increase in animal testing, came after the market closed. Body Shop fell 42 to 475p.

Further consideration of last week's announcement of cutbacks and shop closures at Glasgow-based retailer A. Goldberg left the shares another 17 lower at 61p. Sentiment was not helped by a report in a trade magazine saying that talks on the sale of the remaining stake in the company held by Charterhall had stalled.

STC closed little changed at 262p on 1.6m ahead of the preliminary results expected today. There has been persistent talk that Northern Telecom is about to sell its 27.5 per cent stake in STC as well as hints that Sun Microsystems is interested in buying a 25 per cent in ICL, STC's computer subsidiary. STC announced yesterday it had won the contract to supply BSB's Squarial satellite receiving dish. British Telecom rose 4 to 298p on turnover of 5.7m.

The building contractors were among the few sectors in the market to have attracted buyers from the outset, with County NatWest still enthusiastic about the sector. In the leaders Tarmac were 3 ahead at 220p, Barratt the same amount firmer at 180p and Costain 6 better at 276p.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 31

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (11).
BRITISH FUNDS (1) CORPORATION LOANS (1) CANADIANS (1) BUILDINGS (1) ELECTRICALS (1) INDUSTRIALS (1) Takare, INSURANCE (1) TRUSTS (1) OILS (2) MINES (1).
NEW LOWS (228).
CANADIANS (1) BANKS (8) BREWERS (8) BUILDINGS (16) CHEMICALS (3) STORES (14) ELECTRICALS (17) ENGINEERING (8) FOODS (17) HOTELS (2) INDUSTRIALS (46) AIM, Benlox, Bridgend, Bridon, Brit. Aero, 7¾p Pf, CH Inds., CMB Pack., Do. New, Cargo Control, Cathay Pacific, Courtney Pope, Cresta, De La Rue, Eldars DO., Fletcher Challenge, Hawthorn Leslie, J.S. Pathology, Kalamazoo, Lilly (Eli), MY Hldgs., Marling, NMC 7¾p Pf., Norton, Optical & Medical, Reliant, Rexmore, Sale Tilney, Savage, Smithkline Beecham Eq. Units, Spandex, Stag Furniture, Stainless Metalcraft, Stonehill, Suter, Third Mile Inv., Waterman Part., Whitecroft, Wiishaw, Worcester, Yale & Valor, INSURANCE (2) LEISURE (7) MOTORS (6) NEWSPAPERS (4) PAPERS (13) PROPERTY (16) SHOES (1) TEXTILES (2) TRANSPORT (4) TRUSTS (30) WATER (1) OILS (3) OVERSEAS TRADERS (1) PLANTATIONS (7) MINES (8) THIRD MARKET (1).

APPOINTMENTS

Chairman designate at Wellman

■ At WELLMAN Mr G.N. Iley has been appointed deputy chairman. He will succeed the current chairman, Dr A. Frankel, who is to retire at the end of the annual meeting in July.

■ Ms Diane Soltmann has been made managing director of ROYLE COMMUNICATIONS, part of the W.R. Group. She joins from the Communications Group where she was a director.

■ Mr Barry Lyn has been appointed joint managing director of THE SECRETARY.

■ TRENTHAM, the construction arm of Egerton Trust, has appointed the following directors: Mr Ray Crabbe is promoted from divisional surveyor and in his new role will additionally be responsible for the tendering and buying departments; Mr Chris Field is promoted from divisional manager; Miss Carol Gourlay is managing director of Egerton Trust subsidiary Maybourne Partnerships and Mr Graham Shennan is promoted from divisional manager. Mr Roshan Verghese, managing director of Egerton Property Ventures, becomes a director with special responsibility for introducing financial packages for development clients. Mr Tony Reeves and Mr Don Mitchell have retired from the board.

■ Mr Mel Balloch has been appointed a member of general management at STANDARD CHARTERED as head of trade finance. Mr Tony Manger has also become a member of general management as head of international banking. In addition to his cross-border lending responsibilities, he will take over Mr Balloch's former responsibilities for LDC debt.

■ THIELMANN (UK) has appointed Mr Nigel Edwards (pictured) as its managing director. He will head Teka, the Spanish-owned company's UK operation at Milton, Oxfordshire.

■ A new executive committee has been formed for INSPECTORATE-OIS, Brompton Holdings' principal operating subsidiary.

The committee will be chaired by Mr Paul Bristol, chief executive of Brompton Holdings. Mr Bill Hamilton is made deputy chairman. Mr Malcolm Russell is appointed managing director, Mr Mike Zanre becomes finance director and Mr John Evans has been made director, international and marketing.

■ At VINTEN GROUP Mr David Metcalf, of Greeene & Greene, will join the board on March 1 as a non-executive director. He has been associated with Vinten as a legal adviser for the past 15 years.

■ Mr Ray Barnett, formerly sales manager of THE VOUCHER BANK, has been promoted to general manager of the Redditch-based company's operations. His brief is to develop the bank's activities in the business-to-business sector with an expanding range of voucher services.

■ In a move that brings together its UK activities, INSITUFORM GROUP has appointed Dr Dec Downey as general manager-UK operations. His duties include responsibility for Insituform Permaline, Insituform Technical Services and IGL's investment in Insituform Linings.

Dr John Gumbel has been appointed managing director of Insituform Technical Services. He joined IGL in June 1989 to manage the company's European distributor operations.

■ PERRY GROUP, the multi-franchise motor dealer, has appointed Mr Keith Hartrick (pictured) as managing director of its northern division. He was previously regional director at Caffyns.

■ Mrs Hilary Steedman will become secretary of the NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH on June 1 in succession to Mr Kit Jones.

■ Mr Don Tapley has been appointed non-executive chairman of business forms and computer supplies company, STANDARD CONTINUOUS.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1989/90 High	1989/90 Low	Stock (b)	Price £	+ or –	(1)	(2)
112¾	103¾	Tr. 2pc '92‡‡(97.8)	112¾	+⅛	3.56	4.88
105⅛	94⅞	Do. 2 '94 (102.9)	104¾	.....	3.35	4.00
156⅛	139¼	Do. 2pc '96(67.9)	152¼	–⅛	3.52	3.94
131¾	118¼	Do 2½pc '01(78.3)	127⅛	+⅛	3.77	4.05
128⅜	115⅜	Do. 2½pc '03(78.8)	123⅞	+⅛	3.86	4.10
131⅞	117⅞	Do. 2pc '06(69.5)	126⅝	+⅛	3.84	4.04
123⅛	110¼	Do. 2½pc '09(78.8)	117⅞	+⅛	3.83	4.01
128⅛	114⅞	Do. 2½pc '11(74.6)	122⅞	+⅛	3.80	3.97
107⅛	95¼	Do. 2½pc '13(89.2)	102⅛	+⅛	3.77	3.92
115⅛	101¼	Do. 2½pc '16(81.6)	110⅛	+⅛	3.72	3.87
119¾	100⅞	Do. 2½pc '20(83.0)	107⅞	+⅛	3.68	3.81
95¼	84⅞	Do. 2½pc '24‡‡(97.7)	90⅝	+⅛	3.62	3.74

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1989: 115.4 and for January 1990: 119.5.

INT. BANK AND O'SEAS

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108⅛	92⅛	African Dv Bk 11¼ Ln 2010	93⅞	+⅛	11.90	11.99
104⅝	88⅞	Asian Dev Bk 10¼pcLn2009	89⅞	+⅛	11.44	11.62
110⅛	92⅞	Euro Inv Bk 11pc Ln 2002	93⅞	+⅛	11.76	11.99
119⅞	102⅞	Int-Am Dev Bk 12½pc 2003	103⅞	+⅛	12.10	11.98
99¾	83⅞	Do. 9½pcLn 2015	84⅞	+⅛	11.53	11.66
97½	86½	Malysia 10¼ pcLn 2009	86½	.....	12.43	12.63
120	105	[illegible]	10[illegible]	.....	15.14	14.90

CORPORATION LOANS

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Public Board and Ind.

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
913p	333p	California Engy	820p	+5	—	–	–
36⅞	17¼	Campbell Soup 15c	27⅛	.....	$1.00	–	2.2
28⅜	15⅛	Chase Manhattan $12½	17⅛	.....	$2.36	–	8.3
26¼	15	Chem. Banking Corpn	15⅛	+¼	$2.72	–	10.8
17⅜	9⅞	Chrysler $6¼	9⅞	.....	$1.20	–	7.6
22⅞	13⅛	Citicorp $1	13⅞	.....	$1.62	–	7.2
41⅜	25⅛	Colgate-Palmolive $1	32⅞	.....	s$1.48	–	2.7
17⅛	958p	Cont'l Bank Corp $4	987p	–9	$1.00	–	6.1
378p	186p	Corporate Data Scien	240p	.....	—	–	–
27⅛	18½	Dana Corp. $1	19⅛	.....	$1.60	–	5.0
12	510p	Data General	515p	+3	—	–	–
38⅛	25⅛	Dun & Bradstreet $1	26	+⅛	$2.00	–	4.6
43⅛	24⅞	Eaton Corpn. 50c	29⅛	+⅛	b$2.00	–	4.1
11⅝	7⅛	Echlin Inc	7⅛	.....	70c	–	5.7
22⅛	16⅞	FPL Group 1c	19⅛	.....	$2.28	–	7.2
24⅞	13⅛	Fluor Corp 62½pc	23⅛	.....	24c	–	0.6
35⅛	25	Ford Motor $1	25⅞	.....	$3.00	–	7.0
41⅝	24⅛	Gen. Elect. 63c	35⅛	.....	$1.88	–	3.2
579p	304p	General Host Corp $1	353p	+31	30c	–	5.1
39⅛	18⅛	Gillette $1	27⅛	.....	96c	–	2.1
987p	285p	Gt American Bank $1	342p	–13	20c	–	4.0
23⅞	16⅞	Greyhound $1½	17⅞	.....	$1.32	–	4.6
15⅝	847p	Hasbro Inc 50c	10⅛	+⅛	16c	–	0.9
57½	32⅛	Honeywell $1½	45⅛	.....	$2.75	–	3.6
22⅞	15⅛	Houston Inds.	19⅛	–⅛	$2.96	–	9.2
76⅛	57⅞	IBM Corpn $1¼	60⅛	.....	$4.84	–	4.8
60p	40p	Image Storage/R.Sys.1c	40p	.....	—	–	–
32⅛	18⅛	Ingersoll-Rand $2	30⅛	.....	$1.20	–	2.4
33⅛	20⅛	Lockheed Crpn. $1	21⅞	+⅛	$1.80	–	5.1
22⅛	7⅛	Lone Star Inds $1	7⅞	.....	$1.90	–	15.4
28	17½	Louisiana Land 15c	24⅛	.....	$1.00	–	2.5
20⅛	11⅛	Lowe's 50c	15⅛	–⅛	52c	–	2.1
28⅛	15⅞	Manuf. Hanover $1	19⅛	.....	$3.28	–	10.1
22⅛	12⅞	Merrill Lynch $1	12⅞	.....	$1.00	–	4.8
24⅛	19⅛	Molex Inc	24⅞	.....	3.2c	–	0.1
30⅛	18⅛	Morgan (JP) $2½	20⅛	.....	$1.82	–	5.3
28⅛	21⅞	Morris (Philip)	21⅞	–⅛	$1.13	–	3.1
56⅞	36⅛	NYNEX $1	46⅛	+⅛	$4.36	–	5.7
44p	11p	N'wide Legal Serv.	17p	+1	—	–	–
24⅛	18⅛	PHH Corp.	18⅛	–⅛	$1.16	–	3.8
259p	160p	Pacific Agr.	160p	.....	—	–	–
29⅛	19	Pacificorp $3¼	24⅛	+⅛	$2.76	–	6.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
•303	216	ANZ SA1	258	+1	44c	1.4	7.9	8.9
191	134	Abbey National 10p	181	+5	17.7	2.7	5.7	7.4
•282	120½	Allied Irish Ord	244	.....	‡tQ68%	3.3	3.5	12.6
£13½	£11½	Algemene Fl.10	£11⅞	.....	Q28%	2.0	7.9	6.3
•85	61	Anglo Irish	78	.....	Q18.7%	2.7	5.7	10.6
81	57	Ansbacher (H.) 1p	73	−1	2.0	−	3.7	−
£72¼	£38¼	Bancaire Cie Fr100	£52¼	.....	‡tQ12½%	−	2.5	−
£46½	£35½	Banco Bilbao Viz	£38	.....	Q35.7%	2.0	3.6	13.9
£33	£25½	Banco de Santander	£25½	.....	Q25%	2.4	4.1	5.5
•286	169	Bank Ireland Ir£1	256	−1	‡tQ12.3%	3.2	4.6	8.7
£19½	£17½	Bank Leumi	£19½	.....	−	−	−	−
350	345	Bank Leumi (U.K.)	345xd	+10½	†13.5	−	5.2	−
125	88	Bank Scotland	114	.....	†3.8	3.6	4.4	8.2
111½	95½	Do. 9¼pc Irrd Pf.	97	+½	9¼%	−	12.7	−
•67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
•588	404	Barclays £1	564	+16	†23.0	3.5	5.4	6.4
31	19	Beachmark 20p	19	.....	1.63	1.0	11.4	10.9
363	285	Brown Shipley £1	318	.....	†10.5	−	4.5	−
455	325	Cater Allen £1	410	.....	23.5	−	7.6	−
259	157	Chancery	164	−3	†8.0	2.8	6.5	7.2
£23¼	£14½	Commerzbk DM10	£19⅞	−⅛	Q18%	−	3.3	−
•£29	£22½	C'hgn.Hbk.Kr100	£24½	.....	Q15%	−	5.9	−
£16⅞	£10⅛	Dai Ichi KBk Y50	£10½	−⅛	†Q16%	8.8	0.3	35.5
•£310½	£151¼	Deutsche Bk DM50	£270½xr	.....	Q24%	−	1.6	−
£22¼	£17½	Espirito Santo	£19¼	+⅛	Q75c	3.3	2.3	13.1
260	182	First Nat. Fin. 10p	213	.....	13.0	2.4	8.1	6.6
134	90	FNFC 6.3pc Cv. Pf.	109	−1	6.3%	−	7.7	−
£16⅞	£12½	Fuji Bank Y50	£12⅝	−½	Q15.6%	4.2	0.3	−
325	230	Gerrard & National	272	−4	18.5	−	9.1	−
154	118	Guinness Mahon 10p	150	−3	‡2.1	−	1.9	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	£9¾	DAF N.V. Fl1.5	£9¼	.....	[illegible]	1.8	7.2	7.7
162	115	General Mtrs Units	129	.....	[illegible]	–	6.0	–
906	264	Jaguar	[illegible]	.....	[illegible]	[illegible]	[illegible]	–
*61½	27	Marsh Group 5p	4[illegible]	.....	[illegible]	–	[illegible]	–
£207	£94½	Volkswagen DM50	£[illegible]	.....	[illegible]	2.4	1.8	20.4
£51[illegible]	£33½	Volvo Kr25	£36[illegible]	.....	[illegible]	3.1	3.7	9.1

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
*505	221	ERF (Hldgs)	221	–9	15.0	3.7	9.0	3.9
*245	163	Plaxton Grp.	163	–3	N8.5	2.1	7.0	16.6

Components

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
438	375	Abbey Panels	438	.....	3.9	10.8	1.1	11.6
290	185	Airflow Streamlines	228	–5	6.0	4.2	3.6	8.8
208	145	Bostrom 5p	198	.....	L5.1	10.6	3.6	9.2
299	191	Dowty 50p	2[illegible]	+5	18.0	2.3	5.4	10.4
261	170	FR Group	170	–1	15.54	3.7	4.3	8.4

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

For Water Package Units see Recent Issues

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
40	15	Vizcaya Hldgs 5p	16	–2	–	–	–	–
46½	23	Wikegate Leisure 20p	38	.....	0.25	1.7	0.9	81.3
32½	10	Do. Wrnts	25	+1	–	–	–	–
10¼	4¼	Wilton Group 1p	4½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p ...... γ	83	.....
Craig & Rose £1 ...... γ	820	–10
Finlay Pkg. 5p ...... γ	58	.....
Holt (Jos) 25p ...... γ	1345	–8

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£96¼	.....
9pc Cap Ln. 1996	£96¼	.....
Fin. 13% 97/02	£100	.....
Arnotts	440	.....
Carrol (P.J.) ...... γ	155	.....
Hall (R. & H.)	185	.....
Helton Hldgs ...... γ	98	.....
IRG	218	.....
United Drug	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.70	48.70xd	52.09	-0.01	5.26
Gilts & Fixed Int	6	105.4	105.4	111.9	+0.1	9.83
High Inc Equity	6	130.5	133.7xd	142.3	-1.6	4.46
Worldwide Bond	6	191.6	191.6xd	203.0	-0.1	6.35
Capital Growth						
American Growth	6	175.3	175.3xd	187.5	-0.4	1.17
Asian Pacific	6	121.5	121.5	130.0	-2.5	0.00
Assets & Earnings	6	151.5	151.5	162.1	-0.8	3.12
Capital Reserve Acc	0	88.85	88.85	88.96	+0.09	6.74
Capital Reserve Inc	0	78.83	78.83	78.93	+0.09	7.60
Comdty & Energy	6	106.5	106.5	114.0	-4.2	0.74
Dividend & Growth	6	45.87	46.96	49.96	—	4.50
1992 Enterprise	6	59.99	59.99	64.17	-0.59	2.52
Euro Capital Acc	6	95.59	95.59	102.3	-0.9	0.93
Euro Capital Inc	6	92.17	92.17	98.58	-0.91	0.96
General	6	169.0	169.0xd	180.8	-1.7	2.77
International	6	58.67	58.67xd	62.75	-0.84	0.80
Japan	6	97.11	97.11	103.9	-7.4	0.00
Mastertrust	6	85.32	85.32	91.26	-1.04	1.56
UK Growth Acc	6	174.0	174.0	186.1	-2.4	1.65
UK Growth Dist	6	115.0	115.0	123.0	-1.6	2.50
US Emerging Cos	6	51.64	51.64	55.23	-0.14	0.00
Income & Growth	6	290.3	290.3	310.5	-2.6	3.30
Ethical	6	47.50	48.78	51.90	-0.24	1.93

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	30.57	30.57	32.63	-0.08	3.17
European	5¼	80.76	80.94xd	86.40	-0.79	0.00
European Income	5¼	77.34	77.43xd	82.65	-0.49	1.92
Exempt	1	716.5	716.5xd	745.2	-6.40	1.61
Extra Income	5¼	41.63	41.63	44.44	-0.22	4.38
F East Emerg Econ	5¼	61.42	62.30	66.73	-1.14	0.01
Fund Inv Tst	5	122.9	128.2	136.8	-2.00	1.66
Do Accum	5	192.7	201.0	214.6	-3.20	1.65
Gilt & Fixed Int	5¼	18.58	18.98	20.27	+0.09	12.09
Income & Growth	5¼	67.22	67.22xd	71.76	-0.42	3.79
Intl Income	5¼	61.05	61.05xd	65.17	-0.33	4.77
Japan	5¼	175.7	175.7	187.6	-7.60	0.00
Pacific(10-1)	5¼	42.16	42.16	45.15	-1.30	0.01
Secure Income	5	181.8	181.8xd	194.1	-2.00	5.90

MGM Unit Managers Ltd(z) (1000)H
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	264.8	270.6	287.8	-2.3	6.45
(Accum Units)	5	379.5	387.8	412.5	-3.2	6.45
UK Growth	5	306.8	314.7	334.7	-2.6	3.21
(Accum Units)	5	344.4	353.3	375.8	-2.8	3.21
Int Equity Gth	5	54.23	54.48	57.95	-0.79	1.60
Intl Bond	5	48.91	48.91	51.51	+0.05	7.62
Special Sits	5	34.10	34.10	37.54	-0.04	0.65
North American	5	58.21	58.20	61.91	-0.17	1.71
European Growth	6	45.41	45.75	48.67	-0.46	2.28

MLA Unit Trust Management (1200)H
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General	6	39.48	40.59	43.18	-0.21	3.27
Income & Gwth	6	61.96	64.02xd	68.11	-0.34	4.40
International	6	61.57	63.06	67.08	-1.09	1.49
Gilt	6	21.71	22.41xd	23.10	+0.08	9.91
European	6	44.64	46.33	49.29	-0.55	0.76
American F	6	31.57	32.36	34.43	-0.17	2.40
Emerging Mkts	6	35.44	36.89	39.24	-0.4	0.79
UK Smaller Cos	6	20.14	21.06	22.40	-0.26	2.87
Safety First	5¼	22.86	23.51	25.01	-0.19	8.11

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	5	103.67	103.67	106.06	—	5.30

ManuLife Group PLC (1200)H
St George's Way, Stevenage Dealings: 01-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilt & Fxd Int	5	122.5	122.5xd	129.1	+0.58	8.11
Growth Units	5¼	122.6	126.1	134.1	-0.30	3.80
High Income	5¼	158.1	162.6	173.0	-0.60	5.20
High Yielding Gilt	5¼	58.54	58.54xd	61.69	+0.06	10.59
Intl Growth	5¼	144.5	144.5	153.7	-3.00	0.30
UK Smaller Cos	5¼	136.3	144.3	153.5	-1.00	2.96
North American	5¼	77.51	80.45	85.59	+0.03	0.41
Far East	5¼	121.0	121.0	128.7	-3.70	0.00
European	5¼	58.06	59.29	63.07	-1.00	0.91
Managed P'folio	5¼	44.61	45.38	48.28	-0.34	1.04
Japanese Growth	5¼	39.34	39.34	41.85	-1.37	0.00

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9QG 0244 680066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5¾	105.3	105.9xd	113.2	-0.6	2.65
Do Accum	5¾	108.1	108.7xd	116.2	-0.7	2.65
UK Sel P'folio	5¾	94.86	95.94	102.6	—	3.41
Do Accum	5¾	94.86	95.94	102.6	—	3.41

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlgs 031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific) ◆	5¼	107.7	107.7	114.3	-5.9	0.37
Income	5¼	58.12	58.12xd	61.69	-0.71	4.72
European (z)	5¼	60.66	60.66xd	64.39	-0.82	0.91
Nth American (z)	5¼	33.72	33.72	35.79	-0.85	1.46
Intl Growth(9-1)	5¼	58.16	59.42	63.07	-0.89	0.80
Gwth & Recovery	5¼	49.73	49.73	52.79	-0.79	3.27
Intl Income	5¼	49.67	49.67	52.72	-0.05	8.10
High Yield	5¼	48.19	48.19xd	51.15	-0.6	7.35
Charities	5¼	88.40	88.40xd	93.84	-1.77	6.92
Japan	5¼	42.48	42.48	45.09	-1.45	—

NEL Trusts

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Nelstar Gilt & FI	2	66.00	66.00	67.71	-0.44	9.26
Exempt Funds						
European Dist	5¼	98.31	98.31	105.4	-0.80	0.99
European Acc	5¼	100.2	100.2	107.4	-0.80	0.97
Exempt	3¼	116.0	116.0	122.7	-0.98	4.38

For Windsor Fund see Windsor Asset Value Tst

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 01-826 0000 Enquiries: 01-826 0129

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	117.9	120.1xd	127.8	-0.3	1.26
European Gwth	5¼	215.4	217.1	231.0	-2.8	0.00
Intl Gwth	5¼	155.8	157.3	167.4	-4.1	0.00
UK Equity Inc	5¼	113.2	116.1	123.6	-0.9	4.70
UK Equity Acc	5¼	119.7	122.9	130.8	-0.9	4.70
UK Ind Tracker Inc	5	109.1	110.4	116.9	-1.0	3.54
UK Ind Tracker Acc	5	112.8	114.2	121.8	-0.9	3.54
US Eq Ind Tracker Inc	5	123.1	124.0	131.3	-0.1	2.86
US Eq Ind Tracker Acc	5	124.4	125.3	132.7	-0.1	2.86
Japan Tracker	5	76.68	77.31	82.82	-4.1	0.00
Asian Tracker	5	90.60	91.00	96.81	-1.9	0.00
Managed Inc	5¼	95.13	96.60	102.3	-1.7	2.80
Managed Acc	5¼	95.13	96.60	102.3	-1.7	2.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
4 Temple Place, London WC2R 3HP 01-836 7766

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	105.8	106.3	112.7	-1.1	2.6
Exempt Income	3¼	172.9	172.9	183.0	-1.3	4.9
Exempt Smllr Cos	3¼	348.3	348.3	378.9	-3.9	1.4
Exempt American	3¼	341.4	341.4	358.5	-1.4	1.8
Exempt Pacific	3¼	259.2	259.2	270.1	-11.5	0.0

Murray Johnstone UT Mgmt (1600)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	60.35	60.60	64.68	—	3.47
Acumen Reserve	5	55.69	55.69	58.46	—	12.44
American Income	5	113.3	113.3xd	120.3	—	3.04
Equity Income	5	80.14	80.14	85.54	—	5.95
European	5	57.99	57.99	61.53	—	0.84
Far Eastern	5	128.3	128.3	136.5	—	0.67
Smaller Cos	5	55.31	55.31	59.04	—	4.63
Olympiad	5¼	48.32	48.32xd	51.46	—	1.04
Olympiad Income	5¼	39.85	39.85xd	42.53	—	4.85
UK Growth	5	66.34	66.78	71.28	—	2.54

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	79.72	81.18xd	86.36	+0.05	3.40

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387790

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	28.72	28.80	30.82	-0.03	1.65
(Accum Units) ♥	5¼	30.22	30.40	32.42	-0.05	1.65
Australian ♥	5¼	167.6	169.4xd	181.7	-2.40	1.97
(Accum Units) ♥	5¼	188.0	190.1	203.9	-2.80	1.97
Conscience	5¼	48.07	49.05	52.32	-0.46	1.49
(Accum Units)	5¼	49.67	50.67	54.07	-0.48	1.49
European	5¼	146.6	148.2	158.0	-2.90	0.99
(Accum Units)	5¼	154.1	155.8	166.1	-3.10	0.99
Extra Income	5¼	65.61	66.68	71.16	-0.38	7.22
(Accum Units)	5¼	82.48	83.83	89.46	-0.48	7.22
Far East Gth Acc ♥	5¼	133.3	134.9	144.1	-4.00	0.22
Gilt & F I	5¼	47.67	47.67xd	50.45	+0.10	9.91
(Accum Units)	5¼	93.57	93.57	99.04	+0.20	9.91

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American Opps	5	46.59	47.47xd	50.62	-0.77	1.06
(Accum Units)	5	47.99	48.85xd	52.10	-0.78	1.06
European Opps	5	71.36	71.62	76.39	-0.36	0.00
(Accum Units)	5	71.75	72.02	76.81	-0.36	0.00
Far Eastern Opps	5	129.50	129.50	138.22	-2.91	0.00
(Accum Units)	5	130.42	130.42	139.11	-2.49	0.00
Golden Opps	5	44.32	44.57xd	47.20	-0.82	0.00
(Accum Units)	5	45.59	45.59xd	48.62	-0.83	0.00
Intl Hi-Yield	5	56.01	56.01xd	59.73	-1.08	4.61
(Accum Units)	5	60.80	60.80xd	64.84	-1.18	4.61
Smiths Japan Tst	5	64.61	64.61	68.91	-2.85	0.00
(Accum Units)	5	64.61	64.61	68.91	-2.85	0.00
Kangaroo	5	31.10	31.10	33.16	-0.71	1.76
(Accum Units)	5	31.28	31.28	33.35	-0.72	1.76
Oriental Income	5	32.73	32.79	34.97	-0.16	5.35
(Accum Units)	5	36.69	36.76	39.20	-0.24	5.35
Pacific Technology	5	56.41	56.41	60.16	-0.76	0.00
(Accum Units)	5	56.87	56.87	60.65	-0.78	0.00
Tiger	5	144.35	144.35	153.96	-1.82	0.72
(Accum Units)	5	146.58	146.58	156.34	-1.86	0.72
UK Hi-Yield	5	42.88	42.88	45.73	-0.44	5.00
(Accum Units)	5	49.03	49.03	52.29	-0.54	5.00
UK Opps	5	54.51	57.08xd	61.03	-0.50	1.51
(Accum Units)	5	59.31	62.10xd	66.41	-0.60	1.51

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	90.51	91.92	97.79	-0.01	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing—12 Noon Historic

TR American Gwth	5¼	43.30	43.30	46.18	-0.13	0
TR Eur Sp Sits Acc	5¼	39.85	39.85	42.35	-0.39	0
TR Eur Sp Sits Inc	5¼	39.07	39.07	41.52	-0.39	0
TR General Growth	5¼	72.47	72.47xd	77.09	-0.39	2.86
TR Global Tech	5¼	67.86	67.86	72.38	-0.83	0
TR Income Growth	5¼	84.83	85.01xd	90.45	+0.26	4.56
TR Income Monthly	5¼	53.60	53.60	57.02	-0.09	7.06
TR Japan Growth	5¼	85.29	85.29	90.48	-4.06	0
TR German Growth	5¼	63.33	63.33	67.50	-1.30	0
TR Smaller Cos	5¼	79.52	79.52	84.59	-0.49	3.06
TR Special Ops	5¼	90.05	90.05xd	95.79	-0.62	2.82

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Commdy	145.5	147.3	—	1.42

Stewart Ivory & Co Ltd

Saints PPP Jan 21	264.6	278.4	—	–

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Jan 15	101.73	107.61xd	—	3.84
(Accum Units)	102.35	108.47xd	—	3.84

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	1068	1082	—	767
TR Exempt Intl Other	872	883	—	569
TR Exempt Pac Basin	960	473	—	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

AA Friendly Sy Feb 9	–	173.3	—	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	300.9	316.8	—	–
Equity Ser 1	128.1	134.9	-0.9	–
Prop. Acc. Ser 2	463.9	488.4	—	–
Equity Ser 2	148.6	156.5	-1.1	–
Selective Acc.	340.6	358.6	-0.8	–
Prop. Ser. 4	362.7	381.8	—	–
Equity Ser 4	151.6	159.6	-0.8	–
Man. Ser. 4	433.5	456.3	-2.1	–
Fixed Int. Ser. 4	214.3	225.7	+0.5	–
Indexed Inv. Ser. 4	140.6	148.1	+0.6	–

OTHER UK UNIT TRUSTS

Laurentian Life plc—Contd.
formerly Trident Life

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Equity Ser 3 Acc.	474.0	499.0	-2.1	–
Gtd Managed Acc.	343.1	361.2	+0.6	–
Pension Funds				
Pens Equity	638.0	671.6	-3.3	–
Pens Managed	588.0	619.0	-3.5	–
Pens Gilt-Edge	373.2	392.8	+0.9	–
Pens Deposit	370.9	390.4	—	–
Pens Property	562.1	591.7	—	–
Series Bond	176.3	185.6	+0.1	–

Merchant Investors Assurance Co Ltd —Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI Intl Equity	372.0	[illegible]	-4.9	–
MI Intl Equity Pens	577.7	[illegible]	-9.9	–
MI International Fund	357.9	[illegible]	-4.6	–
MI Intl Fd Pens	518.0	[illegible]	-8.7	–
MI Nth American Equity Fund	128.0	[illegible]	-0.4	–
MI Nth Am Equity Pens	140.2	[illegible]	-0.6	–
MI Far East Equity Fund	309.8	[illegible]	-6.9	–
MI Far East Equity Pens	414.6	[illegible]	-12.0	–
MI Currency Fund	203.3	[illegible]	+0.2	–
MI Currency Fd Pens	251.1	[illegible]	+0.3	–
MI Index Linked	155.2	[illegible]	+1.2	–
MI Managed Fund	54.0	[illegible]	-0.6	–

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	102.8	108.3	–0.6	–
Managed Growth	136.5	143.7	–1.3	–
Managed Opportunity	140.0	147.4	–1.4	–
NFMC Target Financial	100.6	105.9	–0.7	–
Pension Funds				
Managed Cautionary	107.5	113.2	–0.6	–
Managed Growth	140.4	147.8	–1.4	–
Managed Opportunity	141.6	149.1	–1.8	–
NFMC Target Mngd Pen	1469.6	1547.0	–8.4	–
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	224.0	235.8	——	–
Managed Prospect Fund	188.0	197.9	——	–
Pens Managed	283.5	298.5	——	–
Pens UK Equity	340.1	358.1	——	–
Pens Overseas Equity	374.4	394.2	——	–
Pens Property	162.8	171.4	——	–
Pens Fixed Interest	172.0	181.1	——	–
Pens Index Linked	142.2	149.7	——	–
Pens Deposit	189.8	199.8	——	–
Harvester & P.E.P.				
UK Equity	148.6	156.5	——	–
Overseas Equity	134.0	141.1	——	–
Fixed Interest	117.5	123.7	——	–
Property	135.4	142.6	——	–
Index Linked	129.2	136.0	——	–
Deposit	131.6	138.6	——	–
Managed	142.8	150.4	——	–
With Profits	135.0	142.2	——	–
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	333.1	350.7	–1.6	–
UK Equity	426.2	448.7	–2.1	–
Overseas Eq	339.1	357.0	–2.6	–
American	248.5	261.6	–0.7	–
Far East	373.0	392.7	–11.0	–
Property	219.8	231.4	–0.2	–
Fixed Int	217.5	229.0	+0.6	–
Indexed Gilt	137.0	144.3	+0.7	–
Deposit	159.9	168.4	+0.2	–
Pension Fund (Accum Units)				
Managed	448.2	471.8	–2.4	–
UK Equity	528.6	556.5	–2.4	–
Overseas Eq	544.3	573.0	–7.0	–
American	327.2	344.5	–0.7	–
Far East	614.9	647.3	–24.3	–
Property	269.7	283.9	–0.2	–
Fixed Int	261.2	275.0	+0.7	–
Indexed Gilt	150.3	158.3	+0.7	–
Deposit	214.5	225.8	+0.2	–
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	——	–

Prices February 1 Next dealing March 1

Norwich Union Asset Management Ltd

[illegible]

	Bid Price	Offer Price	+ or –	Yield Gross
Sharp (Albert E.) & Co.				
12 Newhall Street, Birmingham B3 3ER 021 200 2244				
Man-Clerical Med	140.6	148.0	–0.7	–
Pens Man NM	645.3	679.2	–3.9	–
Slitals Fund Managers Limited				
Slitals House, The Causeway, Bishop's Stortford, Herts. 0279 757696				
Slitals Managed Funds				
Royal Heritage SGF	102.7	108.2	——	–
Royal Heritage CGF	130.8	137.7	–3.1	–
Royal Heritage HIF	137.4	144.7	–1.0	–
Royal Heritage RIF	94.0	99.0	——	–
Target SGF	106.3	111.9	——	–

[illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd 0481 23021						
PO Box 246, St Peter Port, Guernsey						
Intl Capital Fd	5	$53.47	53.47	58.12	——	–
Far East & Pacific Fd	5	$43.47	43.47	47.34	——	–
North America Fd F	5	$13.29	13.29	14.36	——	–
Canadian Fd. A	5	C$12.75	12.75	13.78	——	2.17
Intl Bond Fd	5	$11.95	11.95	12.66	——	–
European Fund A	5	$12.23	12.23	13.38	——	–
British Fund A	5	£5.041	5.041	5.458	——	–
RBC Intl Currencies Fd Ltd						
US$ A		$–		33.77	——	–
Canadian $ A		C$–		45.14	——	–
£ Sterling A		£–		19.81	——	–
D-Mark A		DM–		65.91	——	–
Swiss Francs A		SFr–		49.66	——	–
		Y–		8.005	——	–

[illegible]

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen remains under pressure

CENTRAL BANKS continued to intervene as the Japanese yen suffered from another wave of selling on the foreign exchanges yesterday. The weakness of the Tokyo equity market again plagued the yen, but active support from the Bank of Japan and later from the US Federal Reserve pulled the currency off the day's lows.

The dollar opened at Y147.50 in Tokyo and even at that stage there were unconfirmed reports that the Reserve Bank of Australia had acted on behalf of the Bank of Japan to buy the yen in Sydney. Intervention by the Japanese central bank was seen in early Tokyo trading at around Y147.45, and this continued throughout the day, but failed to prevent the dollar rising above Y149.00 for the first time since last June.

A fall of 4.5 per cent in the value of Japanese equities undermined confidence in the yen, although the central bank eventually managed to drag the dollar down to Y148.65 at the close. Dealers estimated the scale of intervention by the Bank of Japan was at least $2bn, the largest support for the yen since the middle of May last year.

Pressure remained on the yen later in Europe and in New York, bringing the US Federal Reserve into the market to sell dollars at around Y148.85. At the close in London the dollar had advanced to Y148.80 from Y146.95 on Friday. The US currency also climbed to DM1.6900 from DM1.6780; to SFr1.4865 from SFr1.4770; and to FFr5.7200 from FFr5.6825. According to the Bank of England the dollar's index rose to 67.6 from 67.1. Apart from the weakness of the yen, and continued fears about the impact on the D-Mark of possible German monetary union, there were no other important factors to move the dollar.

A period of festival celebrations are disrupting West German markets this week, and could be encouraging profit taking in the D-Mark, according to traders. The D-Mark lost ground against most currencies, apart from the yen and sterling, and will be vulnerable to the political situation in Europe at least until the East German general election on March 18.

The D-Mark improved to Y88.05 from Y87.55 against the weak yen, but weakened against the French franc and Italian lira. In Paris the D-Mark touched a five-month low against the franc, and at the London close the West German unit had fallen to DM3.3845 from DM3.3665. The D-Mark also declined to L739.05 from L739.55, as the lira stayed at the top of the European Monetary System.

Sterling eased back against European currencies, after its recent advance, but there were no specific factors. The pound also fell against a strong dollar, losing 1.60 cents to $1.6930. It eased to DM2.8600 from DM2.8675; to SFr2.5175 from SFr2.5250; and to FFr9.6850 from FFr9.7125, but rose to Y252.00 from Y251.25. On Bank of England figures sterling's index fell 0.1 to 90.1.

£ IN NEW YORK

Feb.26	Latest	Previous Close
£ Spot	1.6920-1.6930	1.7090-1.7100
1 month	0.92-0.91pm	0.87-0.85pm
3 months	2.76-2.73pm	2.73-2.70pm
12 months	9.70-9.60pm	9.62-9.52pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.26	Previous
8.30 am	90.0	90.2
9.00 am	90.0	90.2
10.00 am	90.0	90.1
11.00 am	90.1	90.2
Noon	90.1	90.2
1.00 pm	90.1	90.2
2.00 pm	90.1	90.2
3.00 pm	90.1	90.2
4.00 pm	90.1	90.2

CURRENCY RATES

Feb.26	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.28897	1.39948
U.S Dollar	7	1.32571	1.21438
Canadian $	12.29	1.58634	1.45483
Austrian Sch.	6½	15.6606	14.4220
Belgian Franc	10¼	46.3137	42.6339
Danish Krone	10½	8.55216	7.86373
Deutsche Mark	6.00	2.22588	2.04684
Neth.Guilder	7.00	2.50427	2.30514
French Franc	10¼	7.52937	6.92744
Italian Lira	13½	1644.15	1514.03
Japanese Yen	4¼	194.084	180.421
Norway Krone	8	8.57337	7.88923
Spanish Peseta	-	143.255	131.590
Swedish Krona	9½	8.07291	7.41623
Swiss Franc	6.00	1.95410	1.79729
Greek Drach.	20½	210.223	193.208
Irish Punt	-	0.837465	0.770498

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Feb.23

CURRENCY MOVEMENTS

Feb.26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.1	-21.3
U.S Dollar	67.6	-10.8
Canadian Dollar	101.7	-1.3
Austrian Schilling	109.6	+11.8
Belgian Franc	110.0	-3.2
Danish Krone	109.5	+3.9
Deutsche Mark	118.5	+24.7
Swiss Franc	109.8	+17.9
Guilder	114.3	+16.3
French Franc	103.8	-12.5
Lira	100.5	-18.6
Yen	125.3	+56.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.23.

OTHER CURRENCIES

Feb. 26	£	$
Argentina	7166.40-7187.65	4220.00-4230.00
Australia	2.2190-2.2210	1.3070-1.3080
Brazil	51.7750-51.9430	30.4830-30.5635
Finland	6.7200-6.7410	3.9575-3.9675
Greece	267.75-272.25	157.80-160.40
Hong Kong	13.2540-13.2670	7.8080-7.8110
Iran	117.00*	69.25*
Korea(Sth)	1170.40-1189.30	689.70-695.10
Kuwait	0.49130-0.49310	0.28970-0.29070
Luxembourg	59.55-59.65	35.15-35.25
Malaysia	4.5840-4.5955	2.7025-2.7045
Mexico	4630.10-4649.85	2726.00-2736.00
N. Zealand	2.8830-2.8880	1.6980-1.7000
Saudi Ar.	6.3595-6.3630	3.7500-3.7510
Singapore	3.1615-3.1685	1.8630-1.8650
S. Af (Cm)	4.3265-4.3375	2.5450-2.5465
S. Af (Fn)	6.0210-6.1300	3.5460-3.6100
Taiwan	44.40-44.50	26.15-26.20
U.A.E.	6.2270-6.2305	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Feb 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14⅞	15-14⅞	15-14⅞	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛
US Dollar	8¼-8¼	8¼-8¼	8⅜-8⅜	8⅜-8¼	8⅜-8⅜	8⅜-8⅜
Can. Dollar	12¾-12½	12¾-12½	12¾-12½	12¾-12½	12⅝-12⅝	12⅝-12⅝
D. Guilder	8⅝-8⅝	8⅝-8⅝	8⅞-8⅞	9-8⅞	9⅛-9⅛	9⅛-9⅛
Sw. Franc	9-8¾	9-8¾	9⅛-8⅞	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛
Deutschmark	8⅛-8⅛	7⅞-7⅞	8⅛-7⅞	8⅛-8⅛	8⅞-8⅝	9⅛-9⅛
Fr. Franc	10¼-10⅛	10⅜-10⅛	10½-10⅜	10⅝-10⅛	11⅛-11	11⅜-11⅛
Italian Lira	13-11	13¼-12¾	13⅜-12⅞	13⅜-12⅞	13¼-12⅞	13⅜-13¼
B. Fr. (Fin)	10⅜-10⅛	10⅜-10⅛	10½-10⅜	10⅝-10½	10⅞-10⅝	11-10⅞
B. Fr. (Con)	10⅛-10	10½-10⅛	10⅝-10⅛	10⅝-10⅛	10⅞-10½	11⅛-10⅞
Yen	6⅛-6⅝	6⅞-6¾	7-6⅞	7⅛-7⅛	7⅜-7⅛	7⅝-7⅜
D.Krone	12¼-11⅞	12¼-12⅛	12¼-12¼	12⅝-12⅜	12⅞-12⅝	12⅞-12⅞
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8¼	8⅞-8⅛	8⅛-8⅝

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9⅛-9⅛ per cent; four years 9⅛-9⅛ per cent; five years 9⅜-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6925-1.7010	1.6925-1.6935	0.91-0.89cpm	6.38	2.77-2.74pm	6.51
Canada	2.0250-2.0365	2.0260-2.0270	0.29-0.22cpm	1.51	0.95-0.85pm	1.78
Netherlands	3.21½-3.23	3.21½-3.22½	1¾-1⅝cpm	6.29	4¾-4⅝pm	5.90
Belgium	59.45-59.80	59.55-59.65	26-20cpm	4.63	73-62pm	4.53
Denmark	10.97¾-11.02¾	10.97¾-10.98¾	2⅞-2⅛orepm	2.87	7⅞-7⅜pm	2.82
Ireland	1.0750-1.0810	1.0750-1.0760	0.37-0.32cpm	3.85	0.82-0.72pm	2.86
W. Germany	2.85¾-2.86¾	2.85¾-2.86¼	1⅝-1½pfpm	6.56	4⅝-4½pm	6.38
Portugal	250.60-252.25	250.60-251.60	6-11cdis	-0.41	110-153dis	-2.09
Spain	183.40-184.35	183.40-183.70	16-6cpm	0.72	16-3pm	0.21
Italy	2113¼-2120	2114-2115	4-2lirepm	1.70	11-9pm	1.89
Norway	11.00¾-11.05¾	11.00¾-11.01¾	3¾-2⅞orepm	3.34	9⅝-9⅛pm	3.41
France	9.67¾-6.71	9.68-9.69	3⅝-3⅛cpm	4.34	10¼-9⅞pm	4.13
Sweden	10.32½-10.39¾	10.32¾-10.33¾	¼-⅛orepm	0.22	¼-⅛pm	0.07
Japan	251½-253	251½-252½	1¾-1⅝ypm	8.04	4¾-4⅝pm	7.54
Austria	20.09-20.20	20.10-20.13	11¾-10⅞gropm	6.71	31¾-20¾pm	5.16
Switzerland	2.50¾-2.52½	2.51¾-2.52¾	1⅛-1⅛cpm	5.66	3⅝-3½pm	5.66
ECU	1.3950-1.4000	1.3990-1.4000	0.49-0.46cpm	4.07	1.34-1.29pm	3.76

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.55-59.65 Six-month forward dollar 5.30-5.25cpm 12 Months 9.73-9.63cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6925-1.7010	1.6925-1.6935	0.91-0.89cpm	6.38	2.77-2.74pm	6.51
Ireland†	1.5720-1.5760	1.5730-1.5740	0.45-0.40cpm	3.24	1.52-1.42pm	3.73
Canada	1.1930-1.1995	1.1970-1.1980	0.47-0.49cdis	-4.82	1.40-1.45dis	-4.77
Netherlands	1.8950-1.9035	1.9020-1.9030	0.06-0.08cdis	-0.44	0.27-0.30dis	-0.60
Belgium	35.05-35.25	35.15-35.25	4.00-6.50cdis	-1.79	15.00-20.00dis	-1.99
Denmark	6.47¾-6.49	6.48½-6.49	1.90-2.10oredis	-3.71	6.10-6.60dis	-3.92
W. Germany	1.6835-1.6905	1.6895-1.6905	0.04-0.02pfpm	0.21	0.04-0.07dis	-0.13
Portugal	148.15-148.50	148.35-148.45	88-98cdis	-7.54	310-330dis	-8.64
Spain	108.20-108.55	108.40-108.50	50-54cdis	-5.75	167-176dis	-6.33
Italy	1244-1249½	1248½-1249½	3.50-5.50liredis	-4.33	13.50-15.50dis	-4.65
Norway	6.49-6.50¼	6.50¼-6.50¾	1.40-1.65oredis	-2.82	4.85-5.25dis	-3.11

MONEY MARKETS

London rates steady

THERE WAS little change in London interest rates yesterday. Sterling suffered some profit taking, but lack of fresh factors kept the money market quiet. The market does not foresee any problems for the pound in the near future and regards a rise in UK bank base rates as unlikely but, equally, does not expect the domestic situation to justify a cut in rates until the second half of the year. Three-month sterling interbank was unchanged at 15⅛-15 1/16 per cent and 12-month money was steady at 15¼-15⅛ per cent.

UK clearing bank base lending rate
15 per cent
from October 5

Day-to-day credit conditions remained very tight in London. The Bank of England initially forecast a shortage of £1,050m, but revised this to £1,000m at noon, and to £1,100m in the afternoon. Total help of £1,001m was provided.

An early round of assistance was offered and at that time the authorities bought £150m bills, including £67m outright, by way of £5m bank bills in band 1 at 14⅞ per cent and £62m bank bills in band 2 at at 14⅞ per cent. Another £83m bills were purchased for resale to the market on March 12, at a rate of 14 15/16 per cent.

Before lunch a further £146m bills were purchased outright, via £63m bank bills in band 1 at 14⅞ per cent and £83m bank bills in band 2 at 14⅞ per cent. In the afternoon £420m bills were bought outright, through £265m bank bills in band 1 at 14⅞ per cent and £155m bank bills in band 2 at 14⅞ per cent. Late assistance of around £285m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,246m, with the unwinding of bill repurchase agreements absorbing £285m and bank balances below target £35m. These outweighed a fall in the note circulation adding £520m to liquidity.

In Frankfurt call money rose to 7.80 from 7.075 per cent. Bank holidays in some West German states this week caused the Bundesbank to offer a securities repurchase agreement tender yesterday. The two-tranche tender for 34-day and 62-day money, at variable bid rates, replaces two earlier facilities totalling DM26.9bn expiring on Thursday.

In Paris the Bank of France left its money market intervention rate at 10 per cent and the five to 10-day repurchase pact rate at 10⅞ per cent when injecting funds into the banking system, via a securities repurchase tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.26) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.06	Three year	8.45
Two month	7.75	Four year	8.49
Three month	7.93	Five year	8.46
Six month	8.08	Seven year	8.54
One year	8.11	10-year	8.52
Two year	8.41	30-year	8.55

Feb.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.40-7.55	7.90-8.05	8.20-8.35	8.65-8.80	8.00
Paris	10¼-10⅛	10⅞-10⅝	-	10⅜-10⅞	-	10.00
Zurich	8⅞-8⅝	8⅞-9⅛	-	9⅛-9⅜	-	-
Amsterdam	8.40-8.50	8.70-8.78	-	8.90-9.00	-	-
Tokyo	6 11/16-6⅝	7⅛-7⅛	-	7⅛-7⅜	-	-
Milan	12⅝-13	13⅛-13⅜	-	13⅛-13⅜	-	-
Brussels	9.90	10⅛-10⅛	-	10⅛-10⅜	-	-
Dublin	11-11⅛	11⅝-11⅞	12-12¼	12⅛-12⅜	12⅜-12⅞	-

LONDON MONEY RATES

Feb 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	14 15/16	15 1/16	15⅛	15⅛	15¼
Interbank Bid	14⅞	14 13/16	14 15/16	15 1/16	15 1/16	15⅛
Sterling CDs	-	-	15	15 1/16	15⅛	15⅛
Local Authority Deps.	14¾	14 13/16	14 15/16	15 1/16	15⅛	15 3/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14⅞	14 15/16	14⅞	-	-
Company Deposits	-	-	15	15⅛	15 3/16	15¼
Finance House Deposits	-	-	14 15/16	15⅛	15¼	15⅜
Treasury Bills (Buy)	-	-	14 13/16	14⅞	-	-
Bank Bills (Buy)	-	-	14¾	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14 13/16	-
Dollar CDs	-	-	8.25	8.30	8.35	8.60
SDR Linked Dep. Offer	-	-	9	9¼	9⅜	9½
SDR Linked Dep. Bid	-	-	8⅞	9⅛	9¼	9⅜
ECU Linked Dep. Offer	-	-	10⅞	11⅛	11½	11⅝
ECU Linked Dep. Bid	-	-	10⅝	11	11⅜	11½

Treasury Bills (sell); one-month 14 11/16 per cent; three months 14 11/16 per cent; Bank Bills (sell); one-month 14 23/32 per cent; three months 14½ per cent; Treasury Bills: Average tender rate of discount 14.3421 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31 ,1990 . Agreed rates for period Februay,26 1990 to March,25 , 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to January,31 , 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6930	1.6840	1.6655	1.6403	1.5962

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.6922	1.6936	1.6916	1.7040
Jun	1.6658	1.6676	1.6652	1.6774
Sep	1.6426	1.6436	1.6426	1.6530

CAC-40 FUTURES (MATIF)
Stock Index

	Open	Close	Change	High	Low	Open Int.
February	1775.0	1809.0	+11.0	1809.0	1768.0	4,461
March	1769.0	1804.0	+7.5	1806.0	1767.0	5,022
April	1774.0	1808.0	+10.5	1808.0	1774.0	349
June	-	-	-	-	-	37

Estimated volume 6,313 Total Open Interest 9,869

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.N.East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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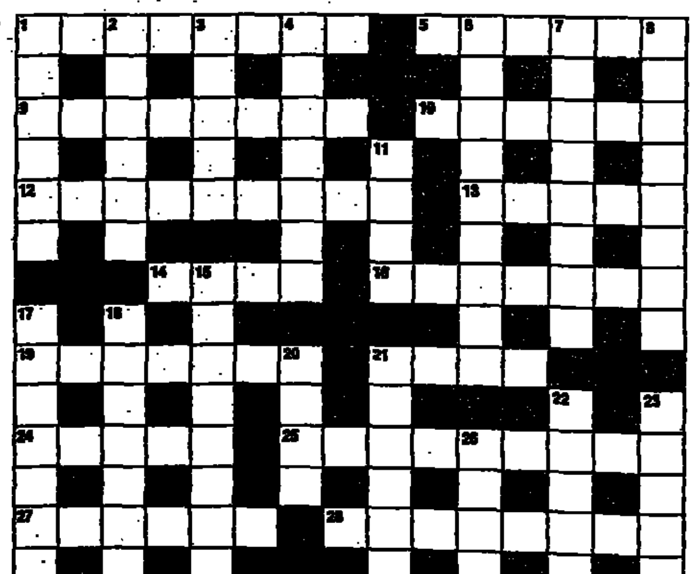
JOTTER PAD

CROSSWORD

No.7,175 Set by GRIFFIN



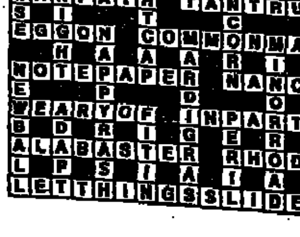
ACROSS

1 Absolutely *shaking the liar* said why (8)
5 Result of a crash course? (6)
9 Turn it on aunt, I'm changing an element (8)
10 So all members get married after a race? (6)
12 Alienated journalist consumes rum (9)
13 Fibre maker is removing tar from table (5)
14 Rebukes for returning box (4)
16 I heard "Rambling Rose" could displease viewers (7)
19 Device for keeping locks in place (7)
21 and 24 Ancient city manor is rebuilt by some stars (4,5)
25 Surplus to requirements and turned off (9)
27 Cover up injured wren and pop back (6)
28 Skill needed in race at sea if it goes astern (8)
29 Hit skinhead on three-wheeler (6)
30 About half have little time and watch part (8)

DOWN

1 Here a girl's belt goes on top (6)
2 *Knowing Stuart, half scoffed* about it (6)
3 Volunteers to embrace some girl (5)
4 Having breather outside love Elizabeth's chair (7)
6 *Colliers get unwell in hat* shops! (9)
7 But oil spreads into article needing washing (8)
8 Politician with key to enter trade organisation interfered (8)
11 Middle-aged man goes over the border (4)
15 Exam *questions* on second book (9)
17 Tall smokers (8)
18 Ring Woolworth's *first* when Victor is without grain-separator (8)
20 Rule no man will *stand for* (4)
21 Subject to work experience (7)
22 Man in charge harbouring ill-will (6)
23 Fix model soldiers in some way (6)
26 One contraption is internally sound (5)

Solution to Puzzle No.7,174



WORLD STOCK MARKETS

AUSTRIA

February 26	Sch	+ or −
Austrian Airlines	4,700	−20
Creditanstalt	6,610	−40
Goesser	7,070	−180
Interunfall	28,450	−700
Jungbunzlauer	18,900	−200
Laenderbank	1,360	....
OeMV	12,200	−350
Perlmooser	2,275	−105
Reininghaus	3,020	−80
Semperit	184	−6
Steyr-Daimler	161	—
Veitscher Mag	1,200	+5
Verbund	498	−20

BELGIUM/LUXEMBOURG

February 26	Frs.	+ or −
Arbed	4,240	−70
B B L	2,940	−50
Bank Intl. a Lux	15,350	—
Banque Gen. De Lux	14,775	—
Banque Nat. Belg	34,250	−750
Bekaert B	14,200	−25
Ciment CBR	6,980	−290
Cobepa	5,130	+30
Do. AFV 1	9,000	+50
Cockerill	172	+1
Colruyt	19,825	—
Delhaize	5,020	−40
EBES	3,935	−5
Do. AFV 1	3,900	−15
Fabrique Nat	930	+10
GIB Group	1,212	−2
Do. AFV	1,072	−28
GBL (Brxl)	3,870	−70

INDICES

NEW YORK

DOW JONES	Feb 26	Feb 23	Feb 22	Feb 21	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2602.48	2564.19	2574.77	2583.56	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.03	91.03	91.05	91.00	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport.	1099.40	1081.26	1076.64	1084.64	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.50	216.86	216.86	218.25	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2606.31 (2591.44) Low 2560.14 (2540.99)

STANDARD AND POOR'S

	Feb 26	Feb 23	Feb 22	Feb 21	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	328.67	324.15	325.70	327.67	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	378.51	373.15	375.35	378.14	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.60	28.17	28.20	28.19	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	181.26	179.35	180.28	181.07	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	350.36	351.10	353.35	352.95	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	420.95	419.52	422.75	421.52	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 23	Feb 16	Feb 9	year ago (approx.)
Dow Industrial Div. Yield	4.26	4.14	4.09	3.75

	Feb 21	Feb 14	Feb 7	year ago (approx.)
S & P Industrial div. yield	3.16	3.11	3.09	3.18
S & P Indl. P/E ratio	14.32	14.21	14.23	13.50

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

	Feb 26	Feb 23	Feb 22	Feb 21	1989/90 HIGH	1989/90 LOW
Metals & Minerals	[illegible]	2921.03	2936.26	2959.23	3919.2 (1/9/89)	2921.03 (23/2/90)
Composite	[illegible]	3662.59	3668.62	3672.46	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	[illegible]	1852.36	1862.13	1863.88	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TAIWAN Weighted Price (30/6/66)	11806.63	11814.35	11749.13	11975.29
THAILAND Bangkok SET (30/4/75)	801.21	818.32	818.58	836.15
WORLD M.S. Capital Intl. (1/1/70)	(u)	514.4	523.6	524.9

**Saturday Feb. 24: Taiwan Weighted Price: 11658.66
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX − 1,000, JSE Gold − 255.7, JSE Industrials − 264.3 and Australia All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday February 26 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	19.2m	710	−41	NKK	7.1m	640	−27
Nippon Steel	15.3m	656	−14	Kobe Steel	6.6m	717	−12
Hitachi	9.1m	1,450	−30	Kawasaki Steel	6.5m	703	−33
Toshiba	8.3m	1,080	−60	Sharp	6.2m	1,780	−10
MHI	7.6m	985	−35	IHI	4.9m	1,220	−30

4pm prices February 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
37½	24¾	AAR	.48	1.6	18	120	30⅝	30⅜	30⅝	
9⅞	8½	ACM n	1.26	13.		221	9⅝	9¼	9⅝	+ ⅛
11⅞	10½	ACMIn	1.26	11.		371	11¼	11	11⅛	
9⅞	7⅞	ACM M	n1.01	13.		285	8⅛	7⅞	8	
12⅛	11½	ACMMM				336	11⅞	11⅝	11¾	
11½	10	ACM Sc	1.26	11.		674	11⅛	10⅞	11	- ⅛
9⅞	8⅛	ACMSp	1.01	11.		z410	9⅛	9	9	
20	11½	AL Lab	.16	.8	20	206	19⅝	19½	19½	- ½
4⅛	3¼	AMCA	.12e	3.5	33	476	3⅜	d 3⅛	3⅛	- ⅛
6⅛	3⅞	AM Intl			6	1457	3⅝	3⅜	3⅝	+ ⅛
23½	16¾	AM In pf	2	12.		60	16⅞	16⅝	16¾	+ ⅛
107¼	52½	AMR			8	3739	58⅞	57¼	58⅛	+ ⅛
27	25	ANR pf	2.67	11.		2	25¼	25¼	25¼	
24⅞	23⅛	ANR pf	2.12	8.8		5	24⅛	24⅛	24⅛	- ⅛
5½	3⅛	ARX				37	3⅜	3¼	3¼	
72¾	39	ASA	3a	5.8		4361	54	50⅝	51⅜	-3⅝
70⅜	50⅜	AbtLab	1.40	2.2	16	3175	63½	62½	63½	+ ½
17¼	11¼	Abitibi g	.50			8	12½	12½	12½	
13	8⅞	AcmeC	.40	4.2	11	23	9½	9¼	9½	+ ¼
9¼	6	AcmeE	.32	3.8	11	16	8⅞	8⅞	8⅞	
38½	27	Acuson			20	281	32⅛	31¾	32⅛	+ ¼
18½	12⅞	AdaEx	2.09e	13.		120	15⅞	15⅝	15⅞	+ ⅛
18⅝	7¼	Adobe				24	13	12⅞	13	
20⅛	18⅞	Adob pf	1.84	9.5		2	18⅞	18⅞	18⅞	
21⅜	19⅞	Adob pf	2.40	11.		5	21⅜	21⅜	21⅜	+ ⅛
10½	6⅞	AMD			6	6449	8¼	7⅞	8¼	+ ½
35	26¼	AMD pf	3	11.		202	28⅝	28½	28½	
10⅛	5	Advest	.16	2.6	8	215	6¼	5⅞	6¼	+ ½
[illegible]										

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅞	9⅝	RAC In	1.20a	11.		163	10½	10⅜	10½	+ ⅛
6⅜	1⅞	RAC	.40e	16.	288	72	3	2⅞	2⅞	
10⅝	6⅞	RLI Cp	.40	4.0	7	33	10	10	10	+ ⅛
13¼	11¼	ROC Fd	.36a	2.9		602	13	12⅞	13	− ⅛
8¼	6⅛	RPC			15	43	6¼	6⅛	6⅛	− ⅛
6½	5⅛	RPS	.81e	14.	6	219	5⅞	5⅝	5⅝	− ⅛
65¼	48½	Racal	.26e	.4	42	631	64	63¼	63⅞	− ⅛
5⅞	2½	Radice n			4		2⅞	2⅝	2⅝	− ⅛
101½	77¼	RalsPur	1.85	2.3	15	985	81⅛	79¼	87⅛	+ 1⅛
6⅝	5½	RangrO			30	7184	6⅛	6⅛	6⅛	− ⅛
30¼	25⅞	Rayon	.32	1.1	38	1201	28	27½	27⅞	+ ⅛
18⅝	13¼	RJamF	.24	1.4	7	182	17	16⅞	17	+ ⅛
20½	15	Raynr	3.00	16.	6	375	23⅞	23	23⅛	− ⅛
3⅞	½	vjRaytc				3	2½	2¼	2⅜	
85	60	Raythn	2.20	3.6	8	1659	61½	60⅞	61⅛	+ ⅛
22½	21	RerDg n				3483	21⅞	21⅝	21¾	
5	15-16	Rdgfl n				702	2⅞	2⅝	2⅝	
17	14⅞	REIT	1.38	9.5	16	141	14⅝	14⅛	14½	+ ⅛
16⅛	13½	RltRef	1.72	12.	6	3	14¼	14⅛	14⅛	
12⅞	5½	RecnEq				22	6⅛	6⅛	6⅛	− ⅛
20	12⅞	Reebok	.30	1.7	11	2438	17½	17	17⅛	+ ⅛
16	8⅞	Reece	.15g	1.6		26	9⅞	9⅝	9⅝	+ ⅛
½	7-64	Regal				140	5-16	9-32	9-32	− 1-32
9⅛	6⅞	RegiPn	.29e	3.5		86	8½	8⅛	8⅛	+ ⅛
15⅞	12½	ReichTg	1.78e	13.	8	17	13⅛	13½	13⅛	+ ⅛
8⅞	4⅞	RelGrp	.32	6.8	16	40	4⅞	4⅝	4⅝	+ ⅛
26⅞	18⅛	Repsol	n.27e	1.2		3845	22⅞	22⅛	22½	− ⅛
5⅜	4⅞	RepGyp	.20	4.1	35	20	5	4⅞	4⅞	
52⅞	42⅞	RepNY	1.32	2.9	11	134	85	45½	45¼	45⅞
13⅞	1⅞	Rvere			7	77	2½	2⅜	2⅜	− ⅛
30⅞	19⅞	RayRay	.80	4.1	8	71	19⅞	19⅛	19⅛	− ⅛
[illegible]										
28	19⅞	Wynns	.60	3.1	10	47	19⅝	d19	19⅛	− ⅛
— X—Y—Z —										
60	48¾	Xerox	3	5.8	8	x3048	51⅞	50½	51⅞	+ ⅞
49	44½	Xerox pf	4.13	8.8		x2	46¾	45¾	46¼	+ ⅝
41⅞	23½	XTRA	.72	2.4	37	2457	30⅞	26	30	+ 3¼
32¾	21	XTRA pf	1.94	8.2		260	24½	23	23⅞	+ 2¼
4⅛	2⅛	Zapata				1304	2⅞	2⅝	2¾	− ⅛
12⅞	7⅞	Zemex	.20	2.8		8	7⅛	d 7⅛	7⅛	− ⅛
21⅞	7⅞	ZenithE				843	8½	8⅛	8½	+ ⅛
21½	14	ZenNtl	.84	5.5	8	205	15⅞	15⅛	15⅞	
9⅛	5⅞	Zenix	1.08	17.		217	6⅝	6⅛	6¼	− ⅛
16½	13	Zero s	.40	2.8	13	78	13⅞	13½	13⅝	
44⅝	25⅛	Zurn	.76	1.9	18	286	39⅞	38⅞	39½	+ ⅛
12⅝	10⅛	Zweig	1.21e	11.		463	11⅞	11⅛	11⅞	+ ⅛
10	8¼	ZweigTl	.96	10.		1167	9⅝	9⅝	9⅝	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices February 26

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WiserO	.40	28 129	20⅛	19⅝	19⅝	− ⅛
Wolohn	.28b	9 164	15⅛	14⅞	15	
WhEx h		433	14	13⅞	14	
Worthg	.68	15 293	20⅝	20½	20½	
Wyman	.80	x149	13⅛	13½	13⅛	+ ⅛
— X—Y—Z —						
XL Dta s		4 105	7⅛	7	7	− ⅛
XOMA		2045	19⅞	18½	19⅛	
Xicor		131 448	2⅞	2⅝	2⅝	− ⅛
Xywan		313	2 3-16	2⅛	2 3-16	+ 1-16
YeeEnS	1.14e	13 25	21½	20¾	21	
YelowF	.76	37 348	24	23½	24	+ ⅜
YorkFn		16 212	10	9⅝	9⅝	− ⅝
ZionUt	1.44	11 7	28⅝	28½	28⅝	− ⅛

FINANCIAL TIMES

Tuesday February 27 1990

AMERICA

Blue chips make solid advances in thin volume

Wall Street

THE PLUNGE in the Tokyo stock market was shrugged off by US shares yesterday with blue chips leading the rest of the market higher, *writes Janet Bush in New York.*

The Dow Jones Industrial Average of blue chip issues closed 38.29 points higher at 2,602.48 but the rally came in anaemic volume of only 149m shares. The Dow had closed 10.58 points lower on Friday at 2,564.19.

The gains in blue chips were not matched by the broad market. Among other US indices, the American Stock Exchange Composite index was quoted 0.74 point lower at 350.36 and the Nasdaq Composite of over-the-counter issues was quoted 1.43 point higher at 420.95.

Wall Street was helped by the fact that European stock markets appear to have disengaged themselves from the gloomy news coming out of Tokyo. The Nikkei plunged 1,569.10 points, or 4.5 per cent overnight, the second largest points loss in a day, but stocks in Europe were only modestly weaker.

The buying of US blue chips yesterday has also to be seen in the context of last week's string of daily losses as the US market responded to the new fragility in the Japanese stock market. Last week, the Dow lost more than 70 points and there is clearly an argument for some bargain hunting to emerge.

There was a positive background for US stocks yesterday with a strong dollar and modest gains in the Treasury bond market as well as lower gold prices.

The US Federal Reserve continued to help out the Bank of Japan which is struggling to support the yen. The Fed was reported to have sold dollars when it was trading at around Y148.80.

In late trading, the Treasury's benchmark long bond was quoted ¾ point higher to yield 8.48 per cent.

Traders said that the US market's resilience partly reflected the fact that inflation concerns in the US are not as pronounced as in Japan and have probably been at least partially discounted by the US market.

Last week, Mr Alan Greenspan, chairman of the US Federal Reserve, moved to allay fears about inflation, telling the Senate Banking Committee that price pressures could start to decline.

Among featured stocks yesterday was Caterpillar which jumped $1⅞ to $59⅞ after an analyst at Smith Barney Harris Upham placed the stock on his recommended list and advised his clients to buy.

He forecast that Caterpillar's shares would rise to $64 or $65 in the next six months and to $85 within two years.

Tiffany's fell $⅛ to $34⅝. Japanese consumers are reported to account for a large proportion of the luxury store's sales and there is concern that weakness in the Japanese stock market may lead to a retrenchment among this kind of customer.

XTRA Corp jumped $5¼ to $30 after the company's board said that it had decided to solicit takeover bids and had authorised Goldman Sachs to explore potential offers.

Single-country mutual funds were generally weak yesterday amid signs that the huge rally earlier this year has begun to lose steam.

New Germany Fund slipped $⅛ to $17¼, Malaysia Fund dropped $1⅛ to $16⅜ and Korea Fund fell $⅝ to $26¼.

Canada

INVESTORS in Toronto saw stock prices recover from earlier losses to close mixed, despite a large drop in gold issues.

The composite index, down more than 20 points for most of the day, rallied in the last hour to close down just 3.10 to 3,649.49. Declining issues finished ahead of advances 409 to 220. Volume was light, with 21.7m shares valued at C$252.3m, down from Friday's 23.8m shares valued at C$228.1m.

ASIA PACIFIC

Programme trades slice 4.5% off Nikkei

Tokyo

TOKYO SUFFERED its second biggest loss in history, with the Nikkei average plummeting 1,569.10 points, or 4.5 per cent, to 33,321.87, as programme trading once again took a heavy toll, *writes Michiyo Nakamoto in Tokyo.*

By the close, the index had recovered slightly from an earlier fall of more than 2,400 points, or 6.9 per cent, which had pulled the Nikkei down to its lowest level for seven months. Yesterday's collapse came in very thin trading, with volume up from 445m shares on Friday to 457m.

A weaker yen, falling bond prices and bouts of arbitrage selling dragged share prices sharply lower in early trading, with the Nikkei index down almost 500 points in the first 15 minutes. The index remained under pressure and was more than 1,400 lower by the half-day close.

In the afternoon, the Nikkei dropped a further 1,000 points in one hour, with selling led by individual investors and specialised investment trust funds. Moderate buying in the last hour, however, helped the Nikkei recover about 800 of those points by the close.

The Nikkei moved from a high of 34,863.08 to a low of 32,443.18 and declines outnumbered advances by 1,030 to 25, with 29 issues unchanged. The Topix index of all listed stocks also suffered its second biggest fall in history – of 106.00 points, or 4.1 per cent, to 2,448.31 – while, in London trading, the ISE/Nikkei 50 index lost 8.83 to 1,800.59.

The declines were blamed by analysts on arbitrage selling and a lack of demand. Arbitrageurs unwinding their futures positions were said to be hitting the market with waves of selling before the close of the Nikkei index futures March contract on March 8.

Analysts were reminded of the Wall Street crash in October, 1987. "The fall was similar to the way Wall Street fell on Black Monday," commented Mr Toshiyuki Nishiguchi at Daiwa Securities. Another broker said: "It showed to what extent programme trading has come to affect the market."

Programme trading has also affected investor sentiment, adding to the mood of uncertainty. "The way the market fell [yesterday] is very different from the way it has fallen in the past," said Mr Norio Watanabe, at Crédit Suisse Investment Advisory Co.

After previous slides, he said, investors had had a sense of where the bottom would be; programme trading had obscured that. "People don't know what to do. Because of programme trading, investors have lost their feel for the market."

The stocks hardest hit were the large capital issues. Sumitomo Metal, top in the actives list with 19.2m shares traded, lost Y41 to Y710 and Nippon Steel followed with 15.3m shares, falling Y14 to Y656.

Osaka dropped 1,778.13 to 34,697.12. Volume rose to 73m shares from 57m on Friday.

THE TOKYO Stock Exchange said yesterday that it would relax margin trading requirements for the second time this month, in an attempt to stop share prices falling further. The collateral requirement would be reduced from 50 per cent to 40 per cent and the percentage of securities acceptable as collateral would be raised from 60 per cent to 70 per cent.

The stock exchange also requested that arbitrage trading be restricted to just after the opening of the morning and afternoon sessions. All changes are effective from today.

There was also talk that the Ministry of Finance had summoned the leading brokers and institutional investors to discuss ways in which they might support the market.

Roundup

THE NIKKEI average's nosedive caused falls in Asia Pacific markets, but only Taiwan suffered a serious sell-off. Almost all of the other markets ended off their lows.

TAIWAN was seriously unsettled by Tokyo's plunge, with the weighted index losing 572.03, or 4.9 per cent, to 11,086.63 – its lowest level since January 17.

AUSTRALIA suffered its largest one-day fall since last year's October mini-crash. The All Ordinaries index shed 34.8 points, or 2.2 per cent, to 1,546.2, sinking to its lowest level since July.

National turnover totalled 101m shares worth A$244m, which included a large slice of options-related trading.

NEW ZEALAND fell 3.4 per cent to its lowest level in nearly two years. The Barclays index shed 59.75 to 1,739.29 in heavier volume than was usual for a Monday, up to 11m shares worth NZ$20m from 7m and NZ$13m on Friday.

HONG KONG, SINGAPORE and KUALA LUMPUR all recovered some of their early losses. The Hang Seng index closed 21.68 down at 2,872.63; the Straits Times industrial index eased 42.41 points, or 2.8 per cent, to 1,506.56; and the Kuala Lumpur composite index lost 19.75, or 3.3 per cent, to 581.50. SEOUL slipped to its lowest level in about 15 months. The composite index eased 11.44 to 833.81.

EUROPE

Bourses regain ground after Tokyo jitters

AFTER a measured and relatively muted response to Tokyo's overnight drop, most bourses recovered yesterday with, for some, a late lift from Wall Street, *writes Our Markets Staff.*

PARIS clawed back an opening fall of 1.7 per cent as Wall Street started the day firmer. Trading was moderate at about FFr2.5bn. The CAC 40 index closed 0.48 higher at 1,804.10 – and might have been better still if computer difficulties in the Paris bourse area had not curtailed trading.

Initial nervousness about the slump in Tokyo began to fade 10 minutes after the opening bell. Confidence was encouraged by the steadiness of the bond market, an easing of the day-to-day money rate and the fact that the Bank of France left the intervention rate unchanged, said a dealer.

Peugeot continued to rise in active volume, with 427,850 shares traded. Last week's deal between Renault and Volvo focused attention on the motors sector, with Renault's high level of debt spotlighting Peugeot's lack of debt. The latter added FFr29 to FFr782, taking its gain since Wednesday to 11.2 per cent. Renault advanced by FFr69 yesterday to FFr1,749.

Among other actives, Elf Aquitaine rose FFr7 to FFr581.

Yesterday was the first day that international investors could buy shares in the big insurers, Assurances Générales de France, Gan and Union des Assurances de Paris (UAP). The first two declined in fairly light trading, while UAP lost FFr10 to FFr633 on volume of 102,000 shares on the first day of its FFr10.5bn capital issue.

FRANKFURT ended in better shape than it had begun, with the DAX index only 13.65, or 0.8 per cent, lower at 1,775.99 after a 10.43-point, or 1.4 per cent, fall in the FAZ at midsession. Volume was extremely low for recent weeks at DM3.7bn, against DM5.5bn last Friday.

Commerzbank made a below-average fall in the bank sector, down just DM2.50 at DM286 as it said it planned to sell a 10 per cent stake in Hochtief to RWE, the utility. Hochtief, the construction group which took off last November on German reunification prospects, made an above-average fall, losing DM59 to DM1,140 as RWE's stake moved up from 39 to 54 per cent.

The recovery from the day's low was not enough to rescue some high-profile companies from significant declines. BMW fell DM17.50 to DM608.50 and Volkswagen dropped DM10.30 to DM538.20. Asko and Horten led a sorry retail sector down, with falls of DM20 and DM10 to DM630 and DM308 respectively.

AMSTERDAM was encouraged by Wall Street's opening strength and regained most of its early losses. The CBS tendency index ended 1.2 down at 104.6, after falling to 103.6, in moderate trading.

Nervousness about the local market's volatility left Akzo 20 cents lower at Fl 114.50 after it reported a 13 per cent net profits rise and a higher dividend. Unilever, which announces 1989 results today, dropped Fl 1.40 to Fl 138.70.

STOCKHOLM recovered from early losses but closed mainly lower in weak trading, extending last week's slide. The Affärsvärlden index lost 5.9 to 1,154.50. Turnover was SKr170m.

Volvo continued to climb against the trend after Friday's announcement of a link-up with Renault, the French state-controlled automotive group. Its free Bs rose SKr28, or 6.8 per cent, to SKr411.

Saab-Scania free Bs fell SKr2 to SKr240. The company released 1989 results just after the close, with pre-tax profits halved to SKr1.6bn.

The indices table on the opposite page now lists the Affärsvärlden index instead of the Jacobson & Ponsbach index.

MILAN heard the Bank of Italy governor, Mr Carlo Ciampi, say that Italy's inflation rate will continue to slow – and promptly took the Comit index down by 14.72, or 2.1 per cent, to 646.73.

There was much talk of selling, but volume was estimated at only L150bn to L160bn, around the average of recent days but well below last year's levels.

The banking sector did fare poorly, with Mediobanca falling L720 to L17,430, Banca Commerciale Italiana L253 to L4,565 and Credito Italiano L105 to L2,565.

BRUSSELS weakened but closed off its lows in what one analyst described as miserable volume. The cash market index shed 88.17, or 1.6 per cent, to 5,563.16.

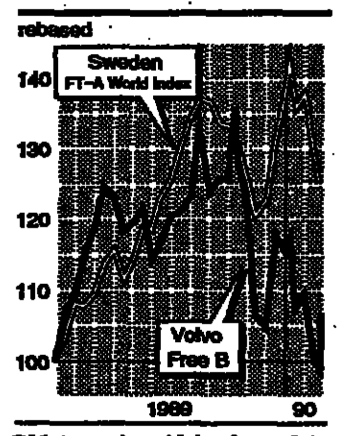
Gevaert, the holding company, dropped BFr270 to BFr8,010 after reporting lower net profits for 1989.

MADRID fell after the plunge in Tokyo and early declines elsewhere in Europe. The general index lost 4.63, or 1.7 per cent, to 269.19.

OSLO was sharply lower in thin trading. The all-share index fell 9.16 to 594.85, a drop of 1.5 per cent, in volume of NKr208m. Slightly firmer oil prices helped restrict the fall.

VIENNA eased after Friday's marginal gain. The bourse index, which has broken records since the start of the year, shed 7.89 to 686.26.

ISTANBUL tumbled again on profit-taking and after last week's resignation of the former foreign minister, Mr Mesut Yilmaz. The bourse index fell 206.92, or 6.1 per cent, to 3,181.17.



SOUTH AFRICA

PRESSURE from Tokyo forced Johannesburg sharply lower yesterday in thin trading as investors nervously awaited Wall Street's opening.

Japan in foreground of a worldwide study in grey

By William Cochrane

INTERNATIONAL markets put together the weakness of the yen and the low level of Japanese interest rates last week, and considered their implications for the Tokyo equity market.

The result was a severe correction, the fall of 7.6 per cent in Japan outpacing declines in other markets and helping the FT-Actuaries World Index lose 4.8 per cent on aggregate.

Tokyo ended the week in nervous condition, but some points have to be made in mitigation of last week's fall and the 12.9 per cent decline in local currency terms since the start of the year:

- the declines come after two years in which share prices rose by 65 per cent, on the FT-Actuaries measure;
- they have come in low volume, with domestic institutions on the sidelines while they wait to close their books at the end of March;
- in this restricted environment, falls have been exacerbated by the effects of arbitrage and programme trading;
- and Japan is still a growth economy.

The rest of the world went through its own period of reappraisal. Austria again provided an exception, with London brokers Carnegie International calculating that up to $450m could come into the Vienna market from existing and planned country funds in the next few months.

Elsewhere, the picture comes in varying shades of grey to leave Europe down 3.7 per cent on the week and Belgium, France, West Germany, the Netherlands and the UK all with above-average declines.

Mr Guy Rigden, European equity strategist at UBS Phillips & Drew, thinks that investors' horizons have shortened in time. "The UK and Spain were already short term, but the others are moving that way."

He says that where investors were once able to look at the big picture, now they can see only a short way ahead – and what they see is painful.

Profit forecasts for 1990 are being pared back; and markets are looking at big rights issue programmes in both West Germany and France. Yesterday saw the launch of the biggest rights issue that the Paris stock exchange has ever seen: the FFr10.5bn capital increase from Union des Assurances de Paris, the insurer, of which FFr6.57bn (£677m) will come out of the capital markets.

Above all, the pundits are expecting increases in interest rates. Mr Brian Knox of Kleinwort Benson observes that Germany's neighbours share its interest rate sensitivity, without enjoying the countervailing influences such as strong domestic cash flow, the prospect of good corporate performance and of a crash investment programme for East Germany.

However, Mr Knox has a soft spot for the Netherlands, which is "already on a below average rating," and Switzerland, where the opening of registered stock to foreigners by Ciba-Geigy, the chemicals group, may bring some interest back into a weary market.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+2.56	+22.76	+142.82	+45.21	+37.79	+46.04
Belgium	−4.49	−10.41	−7.91	−14.14	−17.37	−12.42
Denmark	−1.82	+1.77	+32.83	+0.78	−2.92	+2.89
Finland	−0.35	+0.83	−4.78	+9.11	+5.82	+12.15
France	−3.75	−5.45	+14.51	−10.00	−13.55	−8.38
W. Germany	−4.74	−1.00	+37.32	+0.91	−4.02	+1.73
Ireland	−1.51	−3.92	+19.82	+2.37	−1.61	+4.28
Italy	−2.15	−4.45	+7.811	−5.65	−9.03	−3.59
Netherlands	−4.45	−2.98	+7.03	−8.74	−12.94	−7.73
Norway	−3.34	+8.52	+35.14	+14.77	+10.43	+17.04
Spain	−3.20	−2.98	−1.93	−8.77	−12.84	−7.62
Sweden	−2.34	−7.15	+14.17	−6.80	−10.40	−5.04
Switzerland	−3.43	−0.25	+17.57	−3.30	−4.72	+0.98
UK	−3.83	−4.20	+7.62	−7.56	−7.56	−2.03
EUROPE	−3.74	−3.37	+13.13	−5.82	−8.14	−2.64
Australia	−3.13	−5.98	+10.41	−3.39	−11.67	−6.38
Hong Kong	−1.75	+3.96	−9.73	+1.01	−4.73	+0.97
Japan	−7.59	−7.74	−2.10	−12.91	−19.59	−14.77
Malaysia	−2.22	+5.64	+48.08	+4.28	−1.77	+4.11
New Zealand	−4.76	−7.29	−5.86	−10.23	−15.74	−10.69
Singapore	−1.85	+5.29	+29.72	+6.55	+2.42	+8.55
Canada	−2.12	−0.68	+4.79	−6.43	−14.52	−9.40
USA	−2.45	−0.18	+12.17	−8.20	−13.39	−8.20
Mexico	+1.84	+16.07	+180.33	+18.58	+10.57	+17.19
South Africa	−0.88	−4.67	+41.96	+5.06	−1.57	+4.33
WORLD INDEX	−4.82	−4.10	+5.98	−9.28	−14.59	−9.48

† Based on February 23 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 26 1990						FRIDAY FEBRUARY 23 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	138.09	−2.6	120.93	120.09	−2.4	5.59	141.72	122.94	123.10	160.41	128.28	131.93
Austria (19)	261.29	−1.8	228.82	229.41	−1.2	1.16	266.08	230.83	232.23	266.08	92.84	101.45
Belgium (61)	132.11	−2.5	115.69	114.68	−1.6	4.86	135.46	117.51	116.59	160.02	125.58	131.44
Canada (120)	137.42	−0.3	120.34	119.16	−0.2	3.42	137.87	119.61	119.45	154.17	124.67	131.22
Denmark (36)	245.61	−1.4	215.09	216.72	−0.8	1.48	249.22	216.21	218.46	260.82	165.35	165.35
Finland (26)	148.15	−0.9	129.74	123.20	−0.2	2.41	149.49	129.69	123.39	159.16	118.63	144.47
France (125)	141.69	−0.9	124.08	127.13	−0.2	2.96	142.96	124.02	127.43	157.97	112.57	112.57
West Germany (96)	123.04	−2.2	107.75	108.10	−1.5	1.96	125.86	109.18	109.79	137.01	79.56	83.85
Hong Kong (48)	117.51	−0.6	102.91	117.82	−0.6	4.95	118.27	102.61	118.56	140.33	86.41	129.06
Ireland (17)	188.64	−0.3	165.20	168.93	+0.2	2.58	189.31	164.23	168.56	198.57	125.00	144.12
Italy (96)	92.07	−3.0	80.63	85.88	−2.4	2.67	94.90	82.33	87.96	102.11	74.97	80.36
Japan (455)	159.43	−5.2	139.62	149.96	−4.0	0.54	168.24	145.95	156.27	200.11	159.43	197.46
Malaysia (36)	230.96	−3.1	202.26	240.48	−3.1	2.22	238.46	206.87	248.24	245.32	143.35	157.06
Mexico (13)	385.85	+1.2	337.90	1152.13	+1.3	0.45	381.42	330.89	1137.63	385.85	153.32	154.19
Netherland (43)	130.97	−1.4	114.69	113.72	−0.7	4.82	132.77	115.18	114.53	145.66	110.63	112.91
New Zealand (18)	61.96	−3.8	54.26	55.90	−3.4	6.17	64.38	55.85	57.85	88.18	61.96	70.71
Norway (24)	229.50	−1.9	200.97	202.63	−1.3	1.62	233.90	202.91	205.32	241.98	139.92	163.63
Singapore (26)	186.45	−3.1	163.28	160.16	−3.1	1.82	192.36	166.88	165.32	199.38	124.57	141.93
South Africa (60)	197.79	−3.5	173.21	154.68	−3.2	3.61	205.03	177.87	159.77	251.39	116.35	130.93
Spain (43)	147.87	−1.8	129.50	121.49	−1.5	4.32	150.65	130.69	123.31	169.75	143.14	144.66
Sweden (35)	181.29	−0.8	158.76	163.78	−0.2	2.23	182.37	158.21	164.08	206.95	138.45	152.35
Switzerland (62)	93.46	−1.6	81.85	86.13	−1.0	2.15	94.99	82.41	86.96	99.12	67.81	75.37
United Kingdom (306)	154.73	−0.5	135.50	135.50	+0.5	4.74	155.48	134.88	134.88	164.31	133.28	145.91
USA (542)	133.04	+1.3	116.50	133.04	+1.3	3.56	131.32	113.92	131.32	146.29	112.13	117.30
Europe (989)	136.87	−1.3	119.86	120.26	−0.5	3.60	138.62	120.26	120.87	146.66	112.63	116.84
Nordic (121)	187.48	−1.1	164.16	160.63	−0.6	1.87	189.55	164.44	161.53	201.89	137.95	149.50
Pacific Basin (667)	157.05	−5.0	137.54	147.49	−3.9	0.82	165.40	143.48	153.51	194.72	157.05	191.93
Euro – Pacific (1656)	149.24	−3.7	130.70	136.84	−2.7	1.86	154.93	134.40	140.61	174.18	141.56	161.86
North America (662)	133.21	+1.2	116.65	132.16	+1.2	3.55	131.62	114.18	130.58	145.66	112.79	118.03
Europe Ex. UK (683)	124.83	−1.8	109.31	110.87	−1.1	2.63	127.10	110.26	112.16	135.73	96.30	98.87
Pacific Ex. Japan (212)	128.16	−2.1	112.23	115.84	−2.1	4.95	130.95	113.60	118.27	140.06	111.93	125.71
World Ex. US (1849)	149.44	−3.6	130.87	138.74	−2.6	1.93	154.98	134.43	140.39	173.77	141.49	160.48
World Ex. UK (2085)	141.39	−2.2	123.82	135.35	−1.6	2.21	144.56	125.41	137.50	162.00	136.98	143.71
World Ex. So. Af. (2331)	142.23	−2.0	124.55	135.20	−1.4	2.45	145.15	125.92	137.06	161.84	136.67	143.97
World Ex. Japan (1936)	135.29	+0.0	118.48	127.96	+0.3	3.62	135.25	117.33	127.53	145.52	114.51	118.07
The World Index (2391)	142.57	−2.0	124.85	135.34	−1.4	2.46	145.51	126.24	137.22	162.05	136.68	143.89

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Trading on the Helsinki exchange has been reduced following a banking employees dispute.